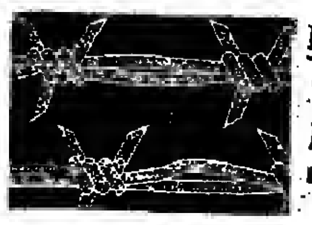

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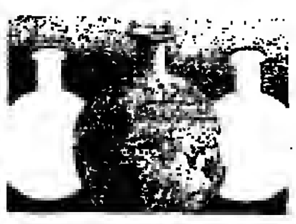

World chemicals
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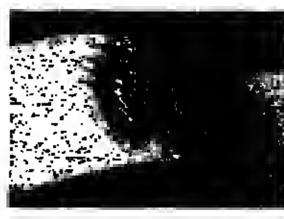
What happens to your old computer
Environment, Page 12



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Finland
Separate sections

FINANCIAL TIMES

Europe's Business Newspaper WEDNESDAY NOVEMBER 9 1994 D8523A

Bid for business travellers lifts BA to record quarter

British Airways announced record second quarter profits and an "encouraging" outlook for the full year as it reaped the rewards of a campaign to win business travellers. Pre-tax profits for the six months to September rose 45 per cent to £341m ($559m), with £253m coming from the second quarter, which covers the key summer period.

Sir Colin Marshall, chief executive, said the company was on target to achieve its previously-stated aim of £150m of cost savings for the full year, but warned that it might have to make provisions against its $400m investment in USAir if a dispute with the US carrier's unionised employees was not settled. *Lex, Page 16; Quntas results, Page 21*

Greece postpones telecoms flotation: Greece postponed the partial flotation of state telecommunications monopoly OTE because of unfavourable conditions on international capital markets. Page 16; Delay puts flotation at risk, Page 2

Meeting signals Ulster breakthrough: Sir Patrick Mayhew, the UK's Northern Ireland secretary, and Irish foreign minister Dick Spring are set to meet in the Irish Republic on Monday amid signs of a breakthrough in efforts to agree a joint document on the province's future. Page 16

NEC to lift stake in Groupe Bull: NEC, the Japanese electronics group, plans to increase its stake to Groupe Bull as part of the privatisation of the loss-making French computer group. Page 17

Record fall in Japan's bank lending: Japan's Economic Planning Agency upgraded its outlook slightly, but the fragility of the country's recovery was underlined by a record fall in bank lending last month. Page 6

South Africa moves to compensate blacks: South Africa's national assembly passed a restitution of land rights bill in a first step towards compensating blacks dispossessed of their land under apartheid. Page 7; Mandela seeks new mines policy, Page 6

Israel and PLO reach accord on timing: Israel and the Palestine Liberation Organisation agreed measures to speed the expansion of Palestinian self-rule amid growing concerns about the political and economic crisis in the Gaza Strip. Page 7

TNT back in the black: Australian transportation group TNT reported first quarter profits of A$18.3m ($13.5m) compared with a loss of A$33.2m in the same period last year. The company said Spain remained a problem area, but other European interests had made progress. Page 20

EU refuses to abandon steel quotas: European Union industry ministers refused to back proposals from the European Commission to abandon quotas on steel imports from Slovakia and the Czech Republic. Page 2

UN tribunal seeks extradition: The United Nations Yugoslav war crimes tribunal ended its first public sitting by making a formal request to Germany for the extradition of an alleged Bosnian Serb war criminal being held in Munich. Page 2

US shipping lines seek to reflag abroad: American Presidential Lines and Sea-Land Services, the US's biggest commercial shipping lines, sought permission to reflag some ships abroad to reduce operating costs. Page 5

Sears Tower to be held by trust: Sears, Roebuck is transferring ownership of Sears Tower in Chicago, the world's tallest building, to a trust. The tower has suffered from high vacancy rates and competition from newer offices. Page 17

Marks and Spencer lifts European sales: UK food and clothing retailer Marks and Spencer lifted European sales by 20 per cent after passing to customers cost savings made through improvements in efficiency. Page 17; Lex, Page 16; M&S advances 15% to £354m, Page 26

End of war is Sri Lankan voters' priority: Ending Sri Lanka's 11-year civil war is the main issue in today's presidential election. The two main contenders, both widows of assassinated politicians, promise peace, but differ on how to end the revolt in the 3.2m Tamil minority community. Page 16

Tycoon jailed for 25 years: Former Greek banking tycoon George Koskotas was jailed for 25 years in Athens for embezzlement. He was the central figure in a scandal which brought down Greece's socialist government. Page 2

Warburg hit by trading losses: UK-based investment bank S. G. Warburg said it would review staff levels and delay investments to cut costs after losing money on trading in the six months to September 30. Page 18; Lex, Page 16

STOCK MARKET INDICES

FT-SE 100:	3,063.8	(-2.0)
Yield	4.16	
FT-SE Eurotrack 100	1,324.29	(+1.63)
FT-SE-A All-Share	1,524.42	(-0.1%)
Nikkei	19,609.02	(-10.20)
New York lunchtime:		
Dow Jones Ind Ave	3,835.45	(+26.58)
S&P Composite	465.65	(+2.59)

US LUNCHTIME RATES

Federal Funds:	$4\frac{5}{8}$%
3-mo Treas Bills: Yld	5.363%
Long Bond	$92\frac{11}{32}$
Yield	8.138%

LONDON MONEY

3-mo Interbank	$5\frac{13}{16}$%	(same)
Liffe long gilt future:	Dec $100\frac{1}{8}$	(Dec $100\frac{13}{32}$)

NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$17.24	(same)

Gold

New York Comex (Dec)	$384.8	(383.1)
London	$385.1	(383.05)

STERLING

New York lunchtime:		
$	1.623	
London:		
$	1.6184	(1.6131)
DM	2.4432	(2.4473)
FFr	8.393	(8.3847)
SFr	2.0487	(2.0486)
Y	156.993	(156.966)
£ Index	80.5	(80.6)

DOLLAR

New York lunchtime:		
DM	1.50695	
FFr	5.177	
SFr	1.258	
Y	96.925	
London:		
DM	1.5097	(1.5172)
FFr	5.186	(5.198)
SFr	1.2608	(1.27)
Y	97.005	(97.31)
$ Index	61.2	(61.4)

Tokyo close Y 97.23

Austria	Sch32	Greece	Dr250	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$16	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft165	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk5.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils.625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (mainland)	Es225	Turkey	L30000
Germany	DM3.50	Lux	LFr65			UAE	Dh12.00

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No 32,519 Week No 45 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

All quiet on the White House front as US votes

By Jurek Martin in Washington

It was a glorious autumn morning in Washington yesterday and the White House seemed preternaturally calm in advance of the evening's mid-term election storm.

Most visible inside the gates was a gaggle of Finnish journalists, there because President Martti Ahtisaari was somewhere inside. They did not seem to have many opinions on the day's voting which was for all 435 seats in the House of Representatives, 35 of the 100 Senate seats and 36 gubernatorial contests.

Outside were four police cars, three motorcycles and the occasional uniformed gentleman – minimal visible protection for a building which had 27 bullets pumped into it two Saturdays ago by a furniture upholsterer from Colorado Springs.

Across Pennsylvania Avenue in Lafayette Park, the handful of little groups bearing home-made placards was there as always. Several seemed to be living rough, including Concepcion and W. Thomas whose sign proudly announced that they were in the 14th year of a "peace vigil". But a closer reading did not reveal they wanted an end to political wars of the sort just witnessed in the mid-term campaign.

Another sign said, cryptically: "All decisions should be made with the Seventh Generation in mind." This may or may not refer politically to the 18-year-olds voting for the first time yesterday.

The FT was over at the president's house for a session on politics with what we discreetly call "a White House official". But it was postponed because Mr Leon Panetta, the chief of staff, had called a meeting – presumably to work out the line to be taken with the media as the night's results, with Democratic losses likely to loom large, unfolded.

President Bill Clinton was up early, as usual, on the telephone to half a dozen radio stations. He again said he was willing to work with a Republican congressional majority if the worst push came to shove and if the opposition proved reasonable, which he doubted. Naturally he suggested political paralysis could be avoided by voting for Democratic candidates.

Senator Phil Gramm, the Republican from Texas, was also up early to respond to the president. His distinctive chainsaw howl sounded on the verge of breaking more than Democratic dead wood as he predicted 11 party gains in the Senate, including a few not generally foreseen, and early passage of a balanced budget amendment.

Sizeable lines were reported in Washington and suburban polling stations, tentative evidence that the most negative campaign in years had not turned everybody off. But if turnout is much over one in three eligible voters it will confound recent history.

Spiders, cookies and a lot of abuse, Page 5

Emergency declared after floods hit Italy

Rome promises $1.94bn in aid after 60 die and 5,000 are left homeless

By Robert Graham in Rome

The Italian government declared a state of emergency in the north yesterday and set aside L3,000bn ($1.94bn) in immediate aid to areas hit by the most catastrophic floods this century.

The moves were intended to head off criticism of the authorities' slow response to the floods that have led to the loss of at least 60 lives, left more than 5,000 homeless and caused damage conservatively estimated at L10,000bn.

Friday has been declared a day of national mourning.

The aid funds were agreed at an extraordinary cabinet meeting, and are only an initial response. The government is expected to cover the rescue costs in full because few companies or individuals have adequate insurance.

The disaster comes as the 1995 budget targets have been undermined by higher interest rates on Italy's debt and the unions want proposed public spending cuts on pensions to be eased.

The unions yesterday declined to call off a demonstration in Rome on Saturday – at which more than 1m people are expected to attend – to protest against the pension cuts.

Mr Silvio Berlusconi, the prime minister, has consistently opposed an increase in taxes; but last night his coalition partners suggested that the flood damage costs be covered through a special tax. The government has also asked the European Union for financial help.

Opposition politicians also hinted they would mount further attacks on the government's plans to introduce a pardon on building carried out without proper permits. This pardon, a key source of revenue in 1995, is seen as condoning widespread abuse of town and country planning regulations – abuse which has contributed to the flooding problems.

The worst-affected areas are in Piedmont, where flooding has damaged industrial plant, agricultural crops and livestock as well as the region's infrastructure. A meeting of all the main agricultural organisations in Piedmont yesterday estimated damage at L1,350bn. However, the local association of small farmers said total damage could be more than L3,000bn with the loss of autumn seed, land that could not be planted until 1996 and the effect of flooding over 400,000ha.

Fiat's Turin production lines, the flagship of northern industry, began to operate yesterday after production was halted on Monday because of a lack of component supplies.

The floods, caused by torrential rain last Friday and Saturday, were beginning to recede yesterday. But Alessandria, with a population of 90,000, was still 1m

Continued on Page 16

Pasqua says Islamic extremist network in Europe uncovered

Paris police with one of about 90 suspected Moslem fundamentalists held in a crackdown on supporters of an Algerian guerrilla group Reuter

French arrest 90 in raid on militants

By John Ridding in Paris

French police yesterday launched a crackdown on suspected Islamic militants, seizing a cache of firearms and detaining more than 90 people, including alleged supporters of an Algerian guerrilla organisation.

Mr Charles Pasqua, the interior minister, said the operation revealed a support network for Algerian guerrillas which has links in four other western European countries and in Canada. "It provides evidence of a network of extremists determined to pursue clandestine or terrorist actions from our territory or other nations," he said.

Mr Pasqua said surveillance carried out since mid-October had confirmed the existence of a support network for the Armed Islamic Group (GIA) with branches in Germany, Britain, Italy, the Netherlands and Canada. The interior minister declined to comment on whether he expected arrests in those countries, but has previously demanded that France's allies take stronger action against suspected Moslem terrorist groups.

Yesterday's operation reflects the tough line taken by the French government, anxious to avoid the spread of the conflict between the military-backed regime in Algeria and its Islamic opponents. The GIA is the most radical of the Moslem fundamentalist groups attempting to overthrow the Algerian government.

The conflict in Algeria has escalated in recent months, fuelling fears in France of a possible wave of immigrants from its former colony. At the end of last month, Mr Liamine Zeroual, Algeria's president, admitted that negotiations had failed to end violence to the country.

Yesterday's action was the second large-scale operation against Islamic fundamentalists in France since the summer. In August 20 suspected extremists were expelled following a nationwide stop-and-search operation.

The French government has maintained the pressure on suspected Islamic extremists. Mr Pasqua warned Moslem clerics in France earlier this week that foreign religious leaders who "preached against the institutions of the Republic", would be expelled. Last Sunday, France deported an Algerian Moslem cleric accused of spreading fundamentalist propaganda.

Mr Pasqua claimed yesterday's operation demonstrated the threat to internal security posed by militant Islamic groups and justified the government's policy of vigilance.

Munich Re to cut exposure as natural disasters increase

By Andrew Fisher in Munich

Munich Re, the world's largest reinsurance group, warned yesterday of a trend towards increasing natural disasters which is forcing it to reduce or end exposure to some high-risk areas of business.

It said this policy was the result of high population growth, greater concentrations of people and property in vulnerable areas and climatic changes, associated with global warming, which are causing unusually severe storms and floods.

This more selective approach to business will lead to much slower growth this year but strengthen future profitability, said Mr Hans-Jürgen Schinzler, the chief executive. Premium income growth will be well under 5 per cent after a 12 per cent rise to DM28.6bn ($19bn) in the year to June 30 1994.

Although Munich Re benefited from a reduction in natural disasters and higher premiums last year – underwriting losses fell from DM1.3bn to DM379m and earnings rose by 4.6 per cent to DM300m – Mr Wolf Otto Bauer, a director, said it was convinced the global trend to more frequent and damaging catastrophes would continue.

"If I was a betting man, I could offer you a bet that the records of recent years will be beaten by new damage records," he said. Munich Re therefore placed great stress on risk management, and one area it studied closely was the danger of changes in climate through global warming.

"The signs that we are experiencing such a change in climate are increasing," he said. The industry was having to pay out not only for damage by storms and floods but also on claims for buildings, vehicles and crops damaged by hailstones. A hailstorm in the Cologne-Bonn area in July, for example, will cost the company around DM40m.

Mr Schinzler said the earthquake in Northridge near Los Angeles this year would lead to claims of an estimated DM150m for Munich Re, although the figure would be higher if it had not previously reduced its exposure there. With total damage of around $30bn and insured losses of $10bn, this was the second most costly loss in insurance history since Hurricane Andrew in 1992.

Last year was the first since 1987 without a record being set for insurance losses on a natural catastrophe. Munich Re took the opportunity to stock up its provisions for earthquake and other risks, as well as for outstanding claims, by DM850m. It has already announced a DM1 rise in the dividend to DM12; earnings per share were DM48.60 (DM30.70).

Ahead of tighter German disclosure regulations, it revealed stakes of just over 5 per cent in BHF-Bank, Bayerische Hypotheken- und Wechsel-Bank, IKB Deutsche Industriebank and Mannheimer Versicherung. It also owns more than 8 per cent of the Aachener und Münchener insurance group.

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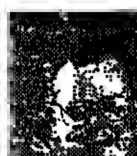

In July 1994, MD Håkan Johnsson led an MBO of Carlshamn Mejeri AB, a leading Swedish producer of edible fats and ice cream, from KF (the Swedish Co-operative), relying on CVC to raise a total financing of SEK 270 million.

"We chose CVC after contacting people they had backed before. CVC shared our vision of independence and worked with us to create an MBO. The buy-out gave us the freedom to sell to the whole Swedish retail market as well as expanding abroad."

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NEWS: EUROPE

Delay puts Greek telecoms flotation at risk

Kerin Hope on the latest hitch in efforts to sell part of the OTE monopoly

It was always going to be difficult for Greece's Socialist government to push through the flotation of OTE, the state telecoms monopoly, given the strength of trade union opposition even to partial privatisation.

Yesterday's decision to postpone the flotation of 25 per cent of the company, set for early December, marks a serious political setback for Mr Yannos Papantoniou, the economy minister, who is leading the campaign to modernise Greece's economy.

He hoped to raise at least Dr320bn (£846m) from the offering, which would go towards reducing Greece's huge public debt, which amounts to more than 110 per cent of gross domestic product.

Mr Papantoniou'e underlying fear is that last year's failure to float OTE may be repeated, with possibly calamitous results. The conservative government collapsed a year ago following defections by parliamantary deputies opposed to the planned sale of 49 per cent of the company.

The latest postponement came one day after parliament finally approved legislation to permit the sale, restructure the company and increase tariffs for domestic calls. The bill permitting all of this had already had a stormy passage through parliament, with 12 deputies from tbe ruling Panhellenic Socialist Movement (Pasok), mainly ex-trade union leaders, ebstaining or voting against it.

Although Mr Pepantoniou insisted the flotation would go ahead early next year, its future must now be in doubt. Parliament is due to vote for e new president next April and the governing Socialists will be keen to avoid a fresh confrontation over OTE.

Mr Andreas Papandreou, the country's ageing prime minister, had given his backing to the economy ministry's plan to sell minority stakes in state utilities and dispose of several state-controlled banks. But if, as expected, he runs for the post of president of the parliament as a prelude to retiring from politics, the privatisation programme is likely to be placed on hold.

Potential foreign investors in OTE will be worried by the divisions within Pasok over the company's future. The climate of political uncertainty over the flotation has been poisoned anyway by recent threats from opposition conservatives in parliament to take legal ection against government officials if the offering price is too low.

"The row in parliament shows just how contentious this flotation could become. It's obviously going to have a downward impact on pricing," one analyst said.

The government was planning to sell 18 per cent of the company to institutions in Europe, tbe US and Jepan through a bookbuilding procedure, and the remaining seven per cent to domestic investors. Greek television and newspapers bave already started advertising the issue and road shows for the offering were due to begin next week.

However, underwriters are concerned about last minute changes in the terms of the partial privatisation made after the parliamentary dispute erupted. Although government officials stress that the restructured OTE will operate like a private sector company, the unions have been promised that redundancies will not be permitted.

Like otber Greek utilities, OTE is stuffed with patronage eppointees. Trimming its 26,500-member staff is seen as crucial to improving profitability.

Tbe flotation's postponement also raises broader questions about tbe Socialists' commitment to economic reform. Under the terms of Greece's convergence programme, aimed at meeting the Maastricbt targets for European economic and monetary union, partial privatisations are projected to raise Dr400bn in the next three years to offset debt.

After last year's failure to meet any convergence plan targets, confidence remains low in Greece's ability to keep to the terms of a revised plan, which was grudgingly approved by its EU partners in September.

Former Greek banking tycoon George Koskotas, central figure in a multi-million dollar scandal which dragged down the country's Socialist government in 1989, was sentenced yesterday to 25 years in prison for embezzlement, Reuter reports from Athens. An Athens appeal court found him guilty of embezzling millions from the Bank of Crete and forging bank documents, court officials said. Seven other senior bank officials received prison terms ranging from 10 to 16 years. A financial tycoon and press baron during the 1981-1989 Socialist government, Mr Koskotas went on trial on January 22, 1992, six days after e special court acquitted Prime Minister Andreas Papandreou of all charges in the case. The 13 judge court, set up by parliament in 1989, convicted two former ministers of involvement in the scandal. More than $200m is missing from the bank which came under state control in 1988.

Prime minister Andreas Papandreou: his retirement plans next year could put privatisation programme on hold AP

EU ministers refuse to abandon steel quotas

By Emma Tucker in Brussels

European Union industry ministers yesterday refused to back proposals from the European Commission to abandon qnotas on steel imports from Slovakia and the Czech Republic.

The ministers were meeting in Brussels to discuss the commission's decision to tear up its two-year rescue plan for the EU's steel industry after steel companies failed to deliver capacity cuts essential for the successful restructuring of the troubled sector.

Full abolition of the plan implies an end to quotas on steel imports from the two east European countries from the beginning of next year. But ministers from some member states were concerned about the impact of increased east European imports and argued that the quotas sbould be extended.

Yesterday tbe commission was backed hy the UK, the Netherlands and Deumark bnt opposition from other member states meant no decision was reached about the quotas. This has been delayed until the new year when four new member states – Austria, Finland, Sweden and Norway – have joined the Union.

Mr Tim Eggar, UK industry minister, said be very mnch regretted the failure to agree to end the quotas.

"It seems to me that one of the things which is giving the commission and the whole of the EU a credibility problem is that wben tbey reach agreements they don't stick to them," be said. "I was disturbed hy the attitude of a number of my colleagues who were prepared to see the end of the plan but wanted to keep the quotas in place."

The lack of e decision on qnotas raises questions as to whetber the rescne plan has been abandoned.

Ministers agreed to drop quarterly production guidelines and framework agreements between the commission and tbe industry. Bnt they also agreed to maintain the social measures of the steel plan – designed to ease the problems incurred with installation closures – for another year, even if there were no proposals to increese tbe Ecn240m (£188.88m) originally earmarked.

Furthermore, a number of delegations in Brussels yesterday said they regretted tbet tbe commission bad abandoned the plan, and tbe council of ministers as a wbole reaffirmed that it was "very concerned at the persistence of structural overcapacity, tbe main cause of the difficult situation in which the European steel industry found itself".

It added that notwithstanding the "fevourable" trends in the steel market, "a lasting solntion to the problem of overcapacity must be found".

Ministers also discussed the future of Eko Stahl, former east Germany's biggest steel mill. The commission has recommended that Eko Stahl should be granted aid from the German government to permit the takeover by Cockerill-Sambre of Belgium. However, the move has to be agreed unanimously and yesterday the British asked for more details on the level and type of German subsidy.

In eddition, the French said they were not ready to reach a decision and a vote was delayed. The French are understood to be using delaying tactics over Eko Stahl in order to win concessions on French shipyards, threatened with extinction if subsidies are withdrawn under an international agreement.

In spite of tbis, Mr Karel Van Miert, commissioner responsible for competition, yesterday said be was confident an agreement on Eko Stahl would soon be reached.

Chirac criticised over proposal for new referendum on monetary union

France's centre-right split over Europe

By David Buchan in Paris and David Gardner in Brussels

The fragile consensus of France's ruling centre-right coalition on European policy yesterday appeared to be fracturing fast under opposing pressures from Mr Jacques Chirac, the newly declared Gaullist contender for the presidency, and German Christian Democrats.

Mr Pierre Méhaignerie, justice minister and president of the CDS, which is the coalition's most pro-European element, yesterdey said be "greatly regretted" Mr Chirac's call two days ago for France to put its eventual participation in any European monetary union to a second referendum, in addition to the 1992 plebiscite that very narrowly approved the Maastricbt Treaty.

Another prominent French centrist, Mr Jacqnes Barrot, chairman of the National Assembly's finance committee, said the referendum call might serve Mr Cbirac well in tbe first round of voting in the presidential election, but would prevent him winning the final run-off vote.

In suggesting another referendum on economic and monetary union (Emu), Mr Chirac is plainly paying his dues to anti-Maastricht politicians such as Mr Philippe Séguin, National Assembly president, who are backing his Elysée bid, in the hope of gaining the quick boost be desperately needs in the opinion polls to rival prime minister Edouard Balladur.

But his tactic could backfire by increasing the chances that Mr Jacques Delors, the outgoing European Commission president, might enter the presidential race as the Socialist challenger in order to keep a Eurosceptic out of the Elysée. The opinion polls have consistently shown Mr Chirac not only trailing Mr Balladur hut also far more likely than the prime minister to be beaten by Mr Delors in a two-candidate run-off.

In the time-honoured tradition of French would-be presidential candidates, Mr Delors has just published his personal ruminations in the form of a 400-page book called "The Unity of One Man". In Brussels yesterday, tbe Commission president insisted: "This is not a [presidential] programme but a book of reflections. If you're looking for a programme, don't buy the book."

Jacqnes Chirac: paying his dues to supporters

But the Socialist party is also looking for a candidate, and the country's pundits are unanimous in seeing the new tome as paving the way for Mr Delors to announce his candidacy after be leaves Brussels some time next January. "Delors-for-president" committees are mushrooming daily now.

Meanwhile, Mr Karl Lamers, chief architect of the German Christian Democrats' recent paper calling on France and the Benelux countries to join Germany in a new "hard core" to the European Union which would set the pace for faster integration, was in Paris yesterday to press his case. He avoided making direct criticism of Mr Chirac bnt said: "We must do all we can not to endanger putting Emu into effect at the earliest opportunity, in 1997."

Mr Chirac had claimed a second referendum would give France the same right to accept or reject Emu as the Bundestag already enjoyed in Germany. But the Bundestag has already ratified the Maastricht Treaty and Mr Lamers recalled that the Bundestag now merely had the power to express its views on whether individual countries fulfil the technical economic criteria for Emu, not on the principle of Emu itself. "It is therefore not a second ratification," Mr Lamers said.

Mr Balladur's officials regard the Chirac referendum call as impractical and unconstitutional, though the prime minister himself has refrained this week from commenting. Bnt the Lamers plan opens up a further division in the government.

While his centrist coalition partners generally favour the idea of France joining Germany and Benelux in declaring themselves to be Europe's hard core implementing all Maastricht's policies, Mr Balladur has criticised this as too rigid. Instead, he sees European integration taking the form of several "inner circle" arrangements, bringing, for instance, Britain in on defence but respecting its wish to stay out of monetary union.

EUROPEAN NEWS DIGEST

Pay-TV talks get nowhere

Last-minute talks to win approval for a cable and pay-TV venture between German media group Bertelsmann, the Kirch Group and Deutsche Telekom have failed, a European Union official claimed yesterday. The official, who asked not to be named said: "It's a clear-cut case, so... it will also be a clear-cut answer from the [European] Commission that this cannot go on."

Earlier, Commission officials had said that the joint venture could still win EU backing if last-minute contacts between Bertelsmann, Kirch and Deutsche Telekom yielded results. Mr Karel Van Miert, competition commissioner, has recommended that Brussels block the venture known as Media Service GmbH. Mr Van Miert argues that MSG will effectively lock other competitors out of the multimedia market.

Bertelsmann is Germany's largest media company and helped launch the country's first pay-TV channel, Premiere, which boasts 800,000 subscribers. The Kirch Group holds shares in Premiere and has the largest German-language film library. Deutsche Telekom, Germany's telephone monopoly, controls the country's cable-TV market, which has 14m subscribers. *AP, Brussels*

UN tribunal seeks extradition

The Yugoslav war crimes tribunal yesterday ended its first public sitting by making a formal request to Germany for the extradition of an alleged Bosnian Serb war criminal being held in Munich. Germany has already said it is willing to hand over Mr Dusan Tadic to the United Nations tribunal, but it must first amend its laws to allow extradition to an international body. Mr Tadic, who was arrested on a visit to Germany in February, has denied thet he was responsible for the killing of three Moslem prisoners in Serb-held Bosnia. If extradited, Mr Tadic is likely to stand trial early next year in what would be the first international war crimes trial to take place since the Nuremberg and Tokyo trials began in 1945.

The case against Mr Tadic underlines the tribunal's dependence on the co-operation of national governments and its inability to apprehend war criminals while fighting continues in the territory of former Yugoslavia. On Monday night, the tribunal's prosecutor issued an arrest warrant for Mr Dragan Nikolic, commander of the Susica camp in the Bosnian city of Vlasenica, on charges of murder, torture and mutilation of Moslem prisoners. However, Mr Nikolic is believed to be in a Serb-held part of Bosnia, and chances of his arrest and extradition are considered to be slight. *Ronald van de Krol, Amsterdam*

US backing for Polish minister

US officials in Poland for talks on Nato expansion yesterday backed Mr Piotr Kolodziejczyk, the defence minister, who is under strong pressure from President Lech Walesa to resign. Mr Joseph Kruzel, US deputy assistant defence secretary, said that Poland "was fortunate to have dedicated public servants such as Mr Kolodziejczyk" and he reiterated that Neto membership was impossible for a country without civilian control over the military.

President Walesa has sided with army generals who blame Mr Kolodziejczyk for failing to wrest sufficient funds out of the government and want one of their number to replace him. The drive is seen as a severe weakening of civilian control over the military.

Mr Kruzel said discussions with the central European countries about Nato membership would start next year. *Christopher Bobinski, Warsaw*

ECONOMIC WATCH

Fewer Germans without a job

West German seasonally adjusted unemployment fell again unexpectedly last month by 23,000. Although more than 15,000 people left the jobless register by signing on for government-sponsored job creation or training schemes, the federal labour office said the jobs market was responding strongly to the economic recovery. Almost 185,000 vacancies were registered during the month. The western unadjusted total fell only slightly, leaving the jobless rate unchanged on the month at 7.9 per cent. In the east, where adjusted data are not yet available, the rate fell from 13.8 to 13.3 per cent, reflecting a drop of 40,000 in numbers unemployed. However, a review from the BHF bank said there were still no grounds for believing that the continued recovery would lead to substantial cuts in the jobless total. *Christopher Parkes, Frankfurt*

■ The Dutch visible trade surplus was around Fl 100m (£36m) in July, sharply lower than a revised total of Fl 1.2bn in June, and Fl 1.5bn in July 1993.

■ Czech industrial output grew by 3 per cent in real terms in September compared with the same month in 1993, but slowed from August's growth of 7.7 per cent.

■ Hungary's unemployment rate fell to 10.6 per cent in October from 10.9 in September, and 12.6 per cent in October 1993.

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Yeltsin recalls elder statesman of reform

By John Lloyd in Moscow

President Boris Yeltsin of Russia yesterday named Professor Yevgeny Yasin, the elder stateaman of Russian reform, as the new economics minister.

As he did so, Mr Lewis Preston, president of the World Bank, declared after meeting most leading members of the administration: "I don't think there is any change in the reform effort." He was referring to the hectic and contradictory shifts in the cabinet over the past few days – which are set to continue.

Prof Yasin will work under Mr Anatoly Chubais, new first deputy prime minister for the economy and finance. Prof Yasin has in the past five years lost the talents of the young economists who formed the first wave of reformers while keeping open his lines of communication with successive governments, industrialists and latterly Mr Yeltsin, to whom he was an adviser

He takes one of the two posts vacated hy Mr Alexander Shokhin, who resigned as deputy prime minister and economics minister last Friday in protest against lack of consultations over the naming of a new finance minister.

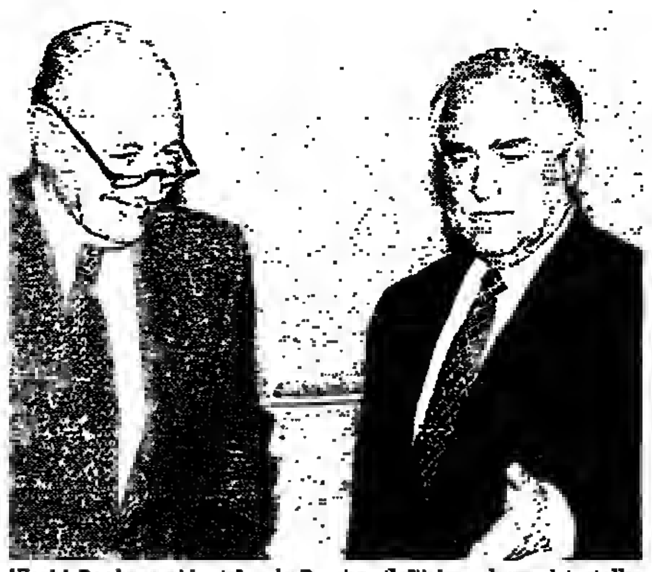
Though Prof Yasin is generally admired for his openness of mind to reformist ideas and his ability to steer clear of the backroom brawls, which characterise much of Russian political life, he has acquired that reputation by sticking to analysis and academic work and is not expected to emerge as a political heavyweight. However, his appointment at the economics ministry, heading a generally reformist team, will support Mr Chubais in his efforts to open up tbe securities market and complete the second stage of privatisation.

Mr Preston underscored his optimistic assessment by saying that Mr Vladimir Panskov, the new finance minister, told him he supported the tough budget strategy adopted by the cabinet – after expressing only lukewarm support immediately after his appointment.

The budget strategy, which calls for massive support from the international financial institutions to bring inflation down to 1 per cent a month by the end of oext year, will soon be sent to the state Duma (lower bouse) for a difficult ratification process.

However, asked if be thought President Yeltsin fully supported the budget, Mr Preston replied: "The prime minister and the deputy premier (Mr Chubais) reaffirmed tbeir strong support. f had no chance to visit with President Yeltsin and the issue did not come up."

Mr Yeltsin's moves in naming botb conservative and reformist figures to his cabinet over the past two weeks are expected to continue – with question marks remaining over three ministers who are strongly opposed by an apparent majority in the Duma. These are General Pavel Grachev, the defence minister who is due to address the Duma on Friday, General Victor Yerin, the interior minister, and Mr Andrei Kozyrev, the foreign minister. The two generals are thought to be particularly vulnerable.



World Bank president Lewis Preston (left) is welcomed to talks in Moscow by Russian prime minister Victor Chernomyrdin *Reuter*

Russians seek imported goods at any price

By John Lloyd

The growing wealth of Russia's new rich and its burgeoning bourgeoisie has made it a mecca for exporters of consumer goods – from Cherokee Jeeps selling at around $60,000 (three times the US price) to packets of cornflakes selling at $3.50 (double the average western price).

Foreign consumer goods now make np the bulk of Russia's imports because of four factors: the liberalisation of trade from 1992; the explosive growth of private trading companies; the increase in medium and high salaries; and "the continuing crisis" in Russia's consumer goods industry. The trend is particularly marked in Moscow and St Petersburg.

In these two cities, imports make np a buge 70 per cent of consumers' purchases of food, according to a report* by the Rnssian company, Business Analytica. In Moscow alone there are nnw some 6,500 trading companies, while individuals can enrich themselves by becoming "shuttles" – people who make a living bringing in consumer goods in their personal luggage from abroad.

The "shnttle" business is in fact a whole industry operating outside the framework of normal foreign trade turnover, the reports says.

The "shuttles" bring no profit to the national budget and nntil recently were virtnally beyond the scope of cnstoms statistics. Their operations bave no legal provisions whatsoever. The prices fixed by the "shuttles" are not liable to national taxes, enabling them to undercnt the prices of the official importers.

Records of enstoms clearance of air travellers from Turkey and the United Arab Emirates, the report says, showed that 3 per cent of the passengers brought in as many goods as the remaining 97 per cent. The "shnttle" business involves bringing in np to 70 per cent of imported clothing; most cheap jewellery; abont half of all leather articles; and up to 30 per cent of andio and video equipment.

The report says that consnmer goods accounted for 70 per cent of total imports last year – estimated at $26.9bn (£16.4bn), $10bn down from 1992 - and remain at roughly tbe same level this year. This tendency will grow, the report says, because of tbe growth of real incomes, np 80 per cent over the past three years.

Imports of foreign cigarettes bave all but wiped ont the local cigarette indnstry, except for those plants which have coocluded joint ventures with western manufacturers. Imports now account for 90 per cent of all cigarettes smoked. However, increased customs duties imposed in July are curbing the sales growth of some consumer goods.

Food, for example, attracts duties of between 10-25 per cent of its customs valne. These import duties were aimed at protecting tbe domestic market. However, according to the report, it is only when the price gap widens to 50 per cent between imported and domestically-produced foodstuffs that consnmers begin switching beavily to the latter.

**Distribution of Imported Consumer Goods in Russia: Markets, Legislation ond Infrastructure. Business Analytica; 23 Ulitsa Profsoyuznaya, Moscow 117859; Russia. 7095-128-1850.*

German parties near deal on coalition agenda

By Judy Dempsey in Bonn

Talks hatween the three German parties hoping to form the next government are due to end on Friday, Mr Peter Hintze, general secretary of Chancellor Helmut Kohl's governing Christian Democratic Union, said yesterday.

At the same time, the CDU, the Christian Social Union, its Bavarian sister party, and the *Free Democrats*, the junior partner in the coalition, expect to alect the Chancellor on November 15. A cabinet is expected to be chosen within the next 10 days.

Unlike previous coalition negotiations which lasted several weeks, these talks, which have drawn up a rough policy agenda for the next parliament, have tended to highlight similarities rather than differences. Tha main differences, many of which were narrowed if not resolved yesterday, have focused on taxation.

One disruptive issue – increased powers for police to introduce bugging in private homes – has been deleted from the agenda, while greater access for citizenship for the 6.8m foreigners in Germany will be discussed on Friday.

During yesterday's session, Mr Hintze said a controversial "solidarity" or income tax surcharge of 7.5 per cent would be decreased over time if the annual financial transfers to the five east German states were gradually reduced.

More than DM160bn (£65.3bn) each year is allocated to east Germany for, among other things, modernising the infrastructure and subsidising pensions and consumer spending. However, these transfers have increased the budget deficit which this year is expected to be DM68bn. As a means of reducing the deficit, the incoming coalition government will re-impose the solidarity tax which bad been introduced after German unification in 1990 but was dropped in 1993. It is expected to raise DM28bn.

CDU and CSU officials stressed, bowever, that any reduction in the annual financial transfers and the solidarity tax was linked to a continuing economic upswing, in eastern as well as west Germany.

All sides also agreed to raise the threshold at which income tax is payable, said Mr Erwin Huber, general secretary of the CSU. However, Mr Theo Waigel, the German finance minister, yesterday found bimself at loggerheads with a commission of experts, which he appointed, about how to finance this.

After a year's work, the eight-man commission told Mr Waigel he would need around DM40bn in order to raise the threshold to DM13,000, up from DM5,616. Mr Waigel must introduce the changes by the beginning of 1996 to fulfil a ruling by the constitutional court, Germany's supreme court, but has said be will need only an extra DM15bn to do so. Mr Waigel also rejected the commission's suggestion that unemployment and other welfare benefits and pensions should be taxable.

Basque steel plant's retreat raises fears

Tom Burns reports on a new threat not linked to terrorism

Cheaper energy in France has prompted a leading steel company in Spain's Basque country to cross the frontier and invest Pta11.2bn (£55m) in a new plant in Bayonne.

The decision by the family-owned Marcial Ucin group, which makes rods and long bars for the construction industry, adds a new dimension to Spanish fears about falling competitiveness. These concerns were fuelled earlier this year by the relocation plans of the loss-making Spanish subsidiaries of Gillette, the US consumer products multinational, and of Suzuki, the Japanese vehicle maker.

The move also has political overtones for the Basque government, led by the local nationalist party. Yesterday, it accused the Madrid authorities of forcing companies out of the area by failing to frame a coherent industrial policy.

The Bayonne plant, one of the largest single production investments for many years by a Spanish private company, will produce 900,000 tonnes of crude steel a year. This may prove troublesome to the Spanish government, which is planning to build a mini-mill of roughly similar capacity in the Basque port city of Bilbao, an bour's drive away.

"This is a very serious development because we are losing business instead of attracting it," said Professor Ignacio Marco of Deusto University, the Bilbao business school, and former chairman of the Basque Energy Board. "It is a very big investment by a leading local company that has always been closely identified with the Basque steel industry."

But Mr Enrique Portocarrero, an executive of the Circulo de Empresarios Vascos, a Basque employers' association, said the investment was more a psychological than an economic blow. "I doubt we are going to see a flight of Basque industry to the other side of the Pyrenees," he said.

Marcial Ucin opted for Bayonne despite strong pressure from local authorities. The latter were willing to subsidise up to 30 per cent of the investment if the plant remained in the Spanish Basque province of Guipuzcoa, alongside the French border, where the company has its headquarters and where four of its seven Spanish plants are located.

The steel manufacturer said the attraction of Bayonne lay in the fact that electricity in France costs 20 per cent less than in Spain – mini-mills melt scrap metal with buge charges of electricity. French scrap metal was also cheaper and Bayonne had offered it a site near tbe harbour. It will begin building the plant in 1996 in a venture with the Japanese Mitsui group, which will provide 25 per cent of the money.

In order to soften the impact, however, Marcial Ucin said it would also invest Pta4bn in its Guipuzcoa plants to increase productivity and maintain the 850-strong labour force.

Spain's high electricity prices have been consistently criticised by manufacturers based in the frontier zones of the Basque country and Catalonia which are barred from hooking up directly to the French grid hy the government's monopoly over the import of France's nuclear-based energy.

The competitive disadvantage became a serious issue in the recent Basque elections when the local nationalist party criticised Madrid.

Prof Marco says: "We are being made to compete with Europe and we are strapped by high inputs at every stage, from electricity tariffs to harbour fees, and from high interest rates to labour costs."

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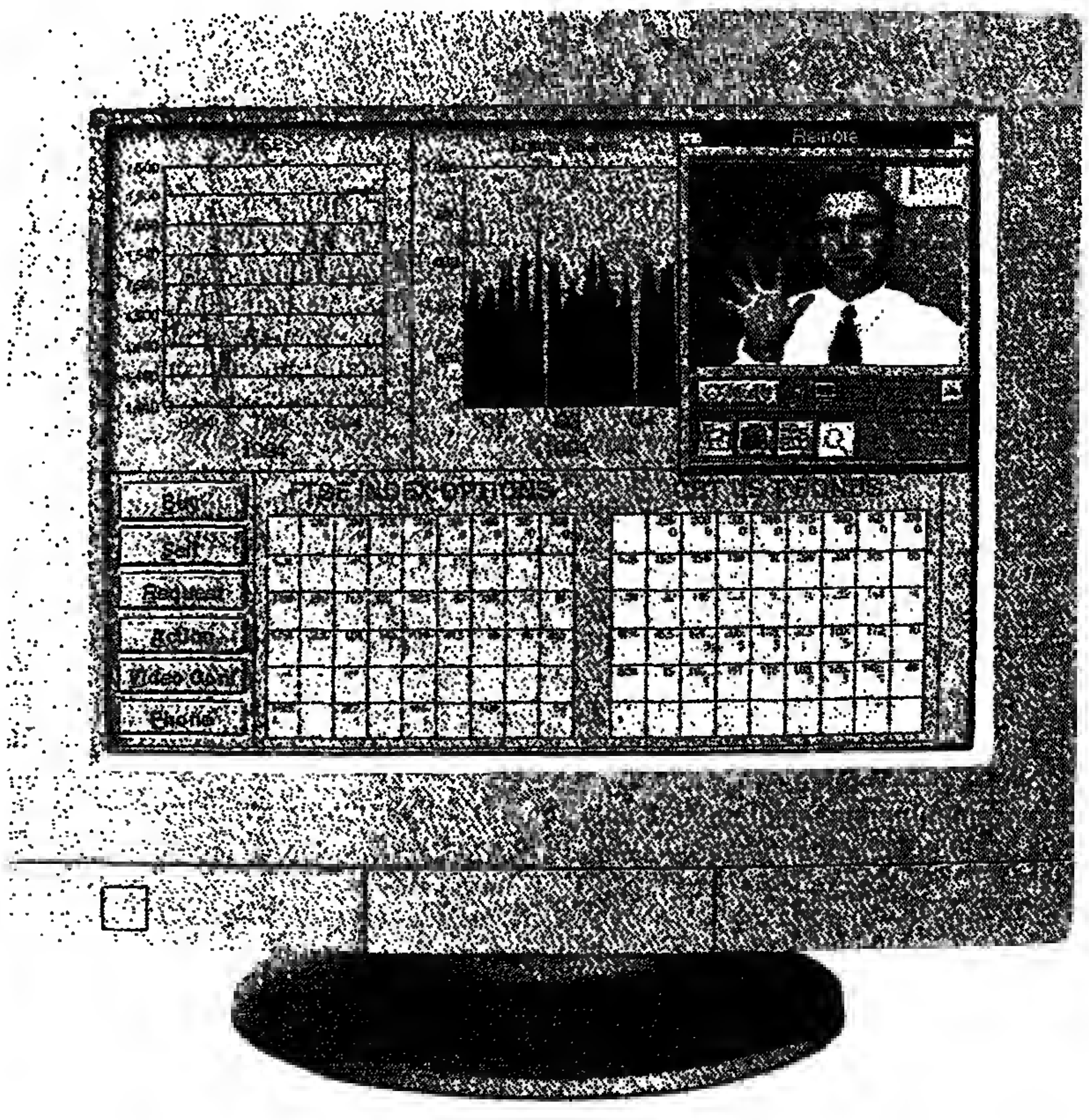

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Malays cast shadow over Apec summit

By Peter Montagnon and Kieran Cooke in Kuala Lumpur

Malaysia yesterday pnt in doubt the ontcome of next week's Asia Pacific Economic Co-operation forum summit in Indonesia by saying that it could turn into an elaborate public relations exercise and would not lead to any binding agreemeots on regional trade liberalisation.

President Suharto, who is to host the meeting, has been pressing for a declaration promising trade liberalisation by the year 2020 to an area which produces roughly half the world's economic output. He is supported most strongly by the US and Australia, both of which want a binding agreement. Mr Suharto sees the Apec meeting as an opportunity to establish Indonesia as an important player in world economic matters.

However, Mrs Rafidah Aziz, Malaysia's trade minister, said yesterday that Apec had no mandate to enforce any agreement. "Why have all this exercise of doing something which you know cannot hind people?" abe said. "It's a very elaborate PR exercise.

"Anything that happens in Apec is non-binding. That's the principle of the organisation," said Mrs Rafidah. As long as Malaysia sticks to its position it will be impossible to establish a meaningful consensus among the 18 Apec members at next week's meeting.

Mrs Rafidah said Apec'a eminent persons group which proposed the 2020 target date should be disbanded and that the group's private sector forum which suggested an earlier date for trade liberalisation only represented the personal views of individuals.

She reaffirmed Malaysia's view that the General Agreement on Tariffs and Trade was the appropriate forum for binding commitments on trade, and was vehement in her criticism of the US and Japan for their slow progress in ratifying the Uruguay Round.

Mrs Rafidah said that Malaysia was "just a bit disgusted" that Japan and, especially, the US have not ratified tha Uruguay Round. "The profound statements made by the US over the past seven years when the negotiations in Gatt were taking place indicated that they would be the first to ratify.

"If the US and Japan need pressure to ratify," ehe continued, "why don't they give up the economic leadership of the world? Let the small countries rule the world."

Malaysis is concerned that the US and Australia are seeking to build up Apec in a way that would eclipse the smaller Asean regional grouping, which has its own more modest agenda for trade liberalisation. Apec was conceived as a loose, consultative forum, Mrs Rafidah said.

Malaysia's stand is, however, likely to cause problems within Asean. It risks upsetting not only Indonesia, but also Singapore which is a strong Apec supporter and a firm advocate of trade liberalisation on a hroad front. Outside Asean China is more in sympathy with Malaysla and has expressed opposition to a firm timetable.

Underlying Malaysia's tough approach is its desire to develop a new grouping – the East Asian Economic Caucus (EAEC) which would include Japan but not the US. Malaysia has recently criticised Japan for its non-committal attitude to this proposal. "There is a difference between the official stance of Japan and the stance of Japan as we know it," Ms Rafidah said. Japan must decide whether it is part of East Asia, she added.

Brittan bids to boost Europe's image in China

By Tony Walker in Beijing

When Sir Leon Brittan, the European Commissioner for External Trade Relations yesterday inaugurated a European-funded management school in Shanghai, the gesture went beyond the Ecu25m ($31.75m) being tovested.

Indeed, Sir Leon has been at pains on his second visit to China this year to emphasis Europe's role as a trade and investment partner, and to dispel what he clearly regards as a damaging perception of the EU as a trading fortreaa unsympathetic to Asian aspirations.

His mission, he says, is part of attempts by the European Commission to davelop a "sharper focus" on Asia and also to spread the message that Europe is not only a huge trading hloc, but also a political entity open to the outside world. "We are not a fortress," he saya. "We encourage our people to follow open trading policies and be tovolved in the multilateral system."

Sir Leon's comments reflect concern in the Commission over negative views of Europe expressed recently hy Asian leaders meeting in Singapore. It is also, of course, a result of the growing importance of Asia, and China in particular, to EC traders and investors.

Between 1979 – when China opened its doors to the outside world – and 1993 EU-China trade grew 13 times from Ecu2.4hn to Ecu31hn. China, which registered an Ecu8.2bn trade surplus with the Community last year, is now the EU's third largest trading partner.

European investment, however, lags well behind that of Hong Kong, Taiwan, the US, and Japan. Among top 10 investors in China at the end of 1993 the UK ranked sixth with pledged investment of $3.3hn and Germany ninth with $1.4hn. This compares with $14.6bn for the US and Japan's $3.9bn.

Europe's new interest in the region is also being driveo in part hy a recognition that institutions such as the Asia Pacific Economic Co-operation forum (Apec) are beginning to provide a regional focus where none existed before.

But Sir Leon says that contrary to suggestions tbat Europe might fear competition from Apec, it welcomes its emergence ss a consultative forum and force for trade liberalisation. "We think that a body of that kind, if it moves towards free trade, will provide greater opportunities for us so long as it remains attached to a multilateral system and doesn't seek to create new barriers," he said.

Sir Leon concedes that Europe has been "somewhat slow" to recognise the extent of the change overtaking the Asia Pacific region and thus the need to respond more actively to tha demands of such a dynamic region.

Early this year he proposed a thorough review of the EU's Asia policy, and this resulted in a series of recommendations circulated within the Commission in July. These would lead in time to an agreed policy on Asia.

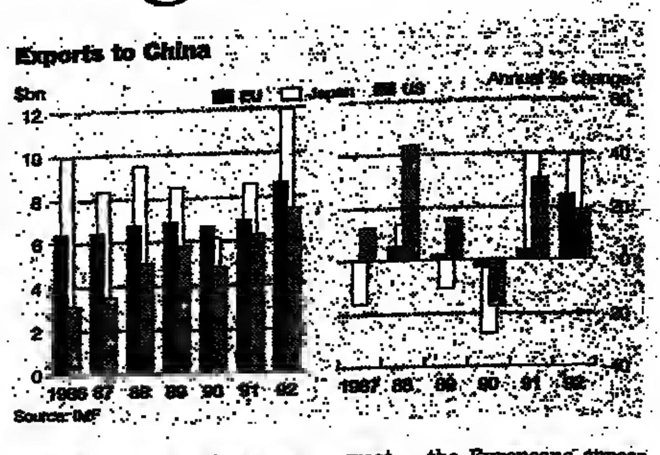
As far as China was concerned the European initiative would involve an enlarged political and economic dialogue aimed at expanding Euro-Chinese trade and tovestment, and assistance to China in its effort to integrate itself into an open, market-based world trading system.

European support for China's entry to the General Agreement on Tariffs and Trade was part of this process, and in ways that may not be entirely suhtle EU officials seek to draw distinctions between their approach and that of the US.

"The Chinese know, for example, we are playing a very mnch more positive role towards their membership of Gatt than some others," said Sir Leon on the eve of a meeting on Monday in Beijing with Ms Wu Yi, China's minister of foreign trade.

Differences between the US and Europe over terms for China'a Gatt entry may not be great – the Europeans appear willing to be more lenient about transitional arrangements – but the fact that EU officials want it to be noted that they are predisposed to be more helpful at this stage throws an interesting light on competition for influence in the world's fastest growing market.

Exports to China



Source: IMF

EU urged to end rum quotas

By Canute James in Kingston

Rum producers have rejected an EU plan to maintain import quotas on dark (traditional) rum until the year 2001 while abolishing the quota on light rum from 1996. The producers, most of whom are in the Caribbean, want all EU import quotas on rum abolished by January to end shortages of the spirit in Europe.

Maintaining the dark rum quota was requested by the French government, whicb has consistently ohjected to any increase in rum imports fearing damage to the rum industry in its overseas territories, mainly Martinique, Guadeloupe and Réunion. Caribbean producers view this as a set-hack to their efforts to tocrease sales in Europe beyond their current annual quota of 240,000 hectolitres.

The European Commission had earlier proposed a quota of 20,000 hectolitres per year on *rhum agricole* which is made from sugar cane juice and produced mainly in the French overseas territories. "While being opposed to any quota, the West indies Rum and Spirits Producers' Association would have no objection to such a quota on *rhum agricole* if it is deemed necessary for the French *departments*," said the Caribbean producers.

Traditional rum, however, is made from sugar cane molasses, not juice, and is an important part of rum exports to the EU. "To suggest that a quota should be maintained on this type of rum is eotirely contrary to the spirit of the overall abolition of the quota system and would seriously damage existing markets for traditional rum in Europe," the association said.

The row is the latest between rum producers and the EU over access to the market. The producers bave claimed for the past two years that the EU has not done enough to prevent a shortage of the spirit in Europe by increasing the rum import quota and then abolishing it. The shortage is caused hy the EU failing to honour its ohligation under the Lomé Convention – the trade and aid treaty between the EU and the African, Caribbean and Pacific (ACP) countries – to increase the quota in line with rising consumption.

According to the Caribbean producers, the quota for tbe current year (July to June) will be exhausted by end of December. By October 7, there remained 152,817 hectolitres to complete the quota, with peak demand expected at Christmas.

Producers fear that their markets in Europe, which they claim are highly price-sensitive, will be destroyed by early quota shipments to satisfy demand, to he followed by a shortage and then hy high-priced product after the imposition of customs duties for shipments not covered by the quota. "The rum qnota has now reached a level of chaos where it is destroying the markets which the producers heve painstakingly hullt over the years," the association said.

Before the Lomé Convention, there were no quotas, but rum was subject to duty. With the first Lomé agreement, France insisted on a quota for duty free imports. As demand rose, rum producers twice requested an increase in the quota. Neither was granted, mainly because of French pressure.

"The just, equitable and only solution is now to bring the qnota abolition date forward by one year to January 1, 1995. Any measure short of this will inevitably contribnte to the disarray of the Community rum markets," said the producers' association.

EU quota for ACP rum

	Hectolitres
1987/88	172,000
1988/89	172,000
1989/90	172,000
1990/91	192,000
1991/92	200,000
1992/93	220,000
1993/94	240,000
1994/95	240,000

Source: West Indies Rum and Spirit Producers Association

World's car makers prefer the Thai tiger

An opening market in a sea of protection makes Thailand the region's leader, writes Victor Mallet

The campaign hy US manufacturers to hreak into south-east Asia's vehicle markets – including a recent trade mission to Bangkok, Jakarta and Kuala Lumpur – has highlighted the importance of Thailand in the rapid growth of the motor industry in the region.

Hardly a week passes without an announcement of plans to invest in the manufacture of cars or trucks somewhere in south-east Asia.

Toyota is considering increasing production capacity at its factories in Indonesia and the Philippines; Chrysler is planning a $100m joint venture in Vietnam to build minivans and possibly Jeeps; Rover, the UK carmaker controlled by BMW of Germany, has signed a memorandum of understanding with Malaysia's Proton about the possible manufacture of Rover engines in Malaysia.

But it is Thailand that has emerged as south-east Asia's most attractive inveatment location for vehicle and component manufacturers. "I've never seen it as active and energetic as it is now," says Mr Michael Dunne, president of Automotive Resources Asia, a Bangkok-based consultancy.

Honda, for example, announced in October that it was investing more than $100m in a new plant that would double its capacity in Thailand and could prodnce a popular small car for Asian markets. Toyota has set aside more than $500m for expansion in Thailand.

Japanese brand names account for more than 90 per cent of vehicles sold in Thailand, the Philippines and Indonesia. But US carmakers want to use their new-found confidence and profits to invest in a region they abandoned to their Japanese rivals 20 years ago.

Ford, which closed its assembly line in Thailand in 1976, is considering producing pick-ups in the country in association with Mazda; Thailand is the world's second-largest market for pick-ups after the US.

Thailand's regional pre-eminence as a car market is partly a function of its size and wealth. The population of 60m is large enough to create a viable domestic market, and with an average annual income per head of over $2,000, more and more Thais are rich enough to buy cars or pick-ups.

Another reason is that since 1991 Thailand has liheralised the motor trade. It has cnt import tariffs and encouraged new foreign investment, especially in the components sector, in an attempt to make itself a regional automotiva centre.

Indonesia and Malaysia, on the other hand, maintain high protective barriers around their domestic markets. Malaysia, which protects its Mitsubishi-derived Proton cars because of what Mr Dunne calls "romantic nationalism", limits imported cars by quota; Indonesia has lifted an import ban but applies tariffs of up to 275 per cent.

"Relatively speaking, Thailand is way ahead of its neighbours to terms of opening up the market," says Mr Dunna. "Thailand's component industry is five years ahead of the others."

Even Thailand, however, is likely to remain a well-protected car market for several years. Although it is the largest vehicle market in south-east Asia, the country does not have the economies of scale that are regarded as necessary in Japan and the west; a dozen different assemblers accounted for Thailand's total 1993 sales of 456,461 units.

"Japanese manufacturers and their Thai joint venture partners have a formidahle store of vested interests and carry tremendous influence in policy-making circles," noted a report last year on the Thai automotive industry prepared for the country's Board of Investment. "Liberalisation policies directly threaten the comfortable operating environment they have constructed over the past 20 years."

US vehicle makers will find it hard to establish networks of Thai suppliers to match the ones that now cater to Japanese companies and help them fulfil local content rules, hut the Thai authorities appear to be serious about allowing new entrants to compete fairly.

When Chrysler wanted to assemhle Jeep Cherokees in Thailand, it found that the Cherokee was defined as a passenger vehicle subject to an excise tax of 36 per cent, while the equivalent Mitsuhishi Pajero was treated as a pick-up with zero excise. But in March this year tha Thai government put both vehicles into a new four-wheel-drive category with a 27 per cent excise, and Chrysler is proceeding with its investment plans.

Even the comfortably protected Japanese assemblers and parts suppliers and Thai component makers are starting to accept the inevitability of gradual liberalisation and are trying to improve the prospects for regional trade in automotive parts.

One way of doing this – especially for companies such as Toyota with a strong presence throughout the region – is to use the "brand-to-brand complementation" scheme embracing Thailand, Indonesia, Malaysia and the Philippines.

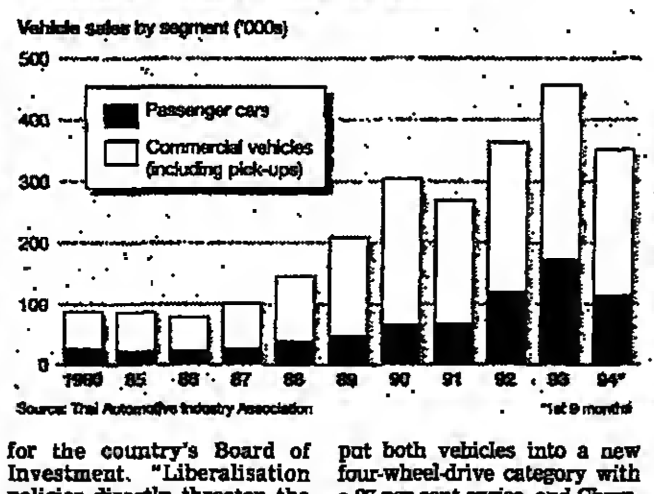
The scheme, which has worked only fitfully so far despite tha best efforts of the Japanese beneficiaries, gives companies rewards in the form of tax benefits and allows them to enjoy economies of scale by centralising production of different components in different countries instead of producing small volumes in each market.

Thai exports of vehicle parts continue to rise steadily. In 1991 such exports were worth Bt3.7bn; last year the amount was Bt13.2hn ($528m) – and that has already been exceeded in the first seven months this year.

A pattern is emerging of a small but growing trade in vehicles and parts, both within south-east Asia and with industrialised countries, particularly Japan. Thailand is likely to be one of the main beneficiaries.

Thailand: rising vehicle sales

Vehicle sales by segment ('000s)



Source: Thai Automotive Industry Association

*1st 9 months

WORLD TRADE DIGEST

Canada, China in reactor deal

China and Canada yesterday signed an agreement in principle for the sale of two Candu nuclear reactors worth about C$3.5bn ($2.59bn) to he built at Qinshan, south of Shanghai, next to an existing Chinese plant. Canada would be responsible for C$2hn financing of the reactor sale, said Mr Bob Smith, president of Atomic Energy of Canada.

The Candu deal was part of a C$8.6bn package of contracts and memorandums of understanding signed yesterday in Beijing by Canadian businessmen in the presence of Canada's prime minister Jean Chrétien. Other agreements involved telecommunications, power plants, building materials, gold exploration, real estate and pipeline production. *Our Beijing Correspondent*

Ford in $15m Chinese venture

Ford, the US carmaker, is to invest $15m in a joint venture in China to produce automotive electronic components, its third components venture in China this year. The world's second largest vehicle maker hopes that tha components operations will open the way for it to begin assembling vehicles in China in the near future.

"We are eager to establish vehicle assembly projects in China at the earliest opportunity," Mr Frank Macher, Ford vice president and general manager of tha automotive components division said yesterday. Ford signed an agreement yesterday with Shanghai Automation Instrumentation for the production of a range of automotive electronic components to supply vehicle makers both in China and in other Asian markets.

A new plant is to be built in Shanghai with production scheduled to begin in June, 1986. Earlier this year Ford agreed joint ventures with Shanghai Automotive Industry for tha production of plastic automotive components – output begins this month – and with Shanghai Yao Hua Glass Works for the production of automotive safety glass, which has already begun operations. Mr Macher said that a further venture to make climate control systems, including air-conditioning, heating and ventilation, could be signed by the end of the year. This would involve an investment of $20m-$30m. *Kevin Done, Motor Industry Correspondent*

ILO links trade and labour

The International Labour Organisation should pursue the possibility of incorporating certain basic labour standards in international fair trade rules, according to a secretariat paper for discussion by the ILO's governing body next week.

The paper suggests incorporating some ILO conventions relating to trade union rights and prohibition of forced labour in the rules of the new World Trade Organisation. The ILO would judge whether violations had occurred, leaving the WTO to take decisions on trade sanctions.

Trade liberalisation "at the very least" calls for recognition of conditions "enabling workers to negotiate freely, both individually and collectively, their conditions of work", says the paper. However, it rejects the notion of equalising levels of wages and social protection across countries. If approved, the proposal may give new life to the currently atalled debate on linking trade and labour rights, strongly backed by the US but bitterly opposed by many developing countries. *Frances Williams, Geneva*

Snake charmers win new rights

India will offer copyright protection to jugglers and snake charmers under an amended copyright law to enforce intellectual property rights. The rules flesh out a law passed in May to protect creativity and would be formally notified soon, Mr Y.N. Chaturvedi, from the Human Resource Development Ministry, said. He said special police units would be set up nationwide to check infringement of the law, passed to strengthen the new General Agreement on Tariffs and Trade world trade pact.

· India has framed the law to ensure Indian artistes and performers are not cheated in copyright purchases, he said. *Reuter, New Delhi*

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International Trade Finance

The Financial Times plans to publish a Survey on Sweden on Friday, December 16.

In addition to analysing the political and economic situation, the financial markets and the forestry industry, this survey will examine the consequences for Sweden of the vote on membership of the European Union, due to take place on 13 November.

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US campaign unwholesome, hypocrisy rampant and invective childish

Spiders, cookies and a lot of abuse

By George Graham in Washington

US MID-TERM ELECTIONS November 8

Forget Fleetwood Mac's "Don't stop thinking about tomorrow," which echoed endlessly through President Bill Clinton's campaign rallies in 1992; the hit political song of 1994 is, more poignantly, "The itsy-bitsy spider."

Film of Senator Ted Kennedy singing along with the children's ditty provided one of the few high points in a campaign season that almost everyone agrees is one of the dirtiest in recent memory.

The image must have been so memorable Congressman Jim Nussle of Iowa filmed a campaign advertisement solely of him singing the Spider with his three children.

Acting with kids or animals carries its own risks. Mr Michael Huffington, who has spent as much as $25m, mostly his own money, in a bid to unseat Democratic Senator Dianne Feinstein in California, campaigned last month at the Bundy Scott Child Care Centre in Pasadena, reading "The little seed" and "The little boot" to the toddlers.

"They seemed to like him. I don't know why," said Mr Anthony Henry, the centre's director. This endorsement may have two edges, but could be important in a campaign where one of the principal issues has been the immigration status of Mr Huffington's nanny.

California governor Wilson (right) and Arnold Schwarzenegger greet Republican supporters AP

In other races the central issues have sometimes been even stranger. In the race for Wyoming's only seat in the House of Representatives, Republican Barbara Cubin's campaign has been rocked by "Cookiegate" – charges that she once passed around suggestively masculine-shaped biscuits at a meeting. The Casper Star-Tribune reports that Ms Cubin admits passing the cookies around, but says she did not bake them herself.

In most parts of the country, the campaign has been unwholesome, the hypocrisy rampant and the invective childish.

A spokesman for Congressman Jim Cooper, who is running for one of Tennessee's Senate seats against Republican lawyer Fred Thompson, calls his opponent "a Gucci-wearing, Lincoln-driving, Perrier-drinking, Grey Poupon-spreading, millionaire Washington special interest lobbyist."

But the prize for the funniest political advertisement in a losing cause goes to the campaign of former Congressman Jim Jontz to unseat Republican Senator Richard Lugar of Indiana. Mr Jontz drives around Indiana towns such as Lebanon, Peru and Moscow, in a search for the billions of dollars of foreign aid Mr Lugar has voted for.

Top two US shipping lines seek to reflag

By Nancy Dunne in Washington

The two biggest US commercial shipping lines have begun to request permission to reflag their ships in foreign countries to reduce the costs of their operations.

American Presidential Lines has asked the US Maritime Administration to put six new container ships under foreign flags, and is expected to seek reflagging of part of its 16-ship fleet now under the US flag.

Sea-Land Services yesterday was expected to notify the administration that it wants to reflag about half of its 25-ship fleet. It hopes to begin with *five foreign-based ships*.

The reflagging is strongly opposed by maritime labour, which joined with shipping interests last year in a congressional drive to get a new $1bn maritime operating subsidy programme. Union officials say American Presidential Lines worked against the legislation and should not be rewarded with waivers which permit the reflagging.

The Clinton administration had hoped to create "a renaissance for the American shipbuilding industry" with government-backed loans, investment in new technology, streamlined regulations and higher exports.

Shipping lines agreed to hold off reflagging until Congress passed legislation on operating subsidies. Subsidies were approved twice in the House with bipartisan support but killed in the Senate. Congress did however pass legislation providing for shipyard modernisation and export subsidies.

The number of US-flagged vessels has been declining for years. As of last February the US had 366 large ocean-going vessels under US flag. Of these, 340 were active. Without subsidies the US fleet is expected to dwindle to about 30 vessels after the year 2000.

The willingness of shipowners to reflag reflects the lower cost of operations using *foreign crews* and lower taxes abroad. It also represents the devaluing of the protection granted by cabotage rules, which permit only US flagged *ships to sail from one US port* to another, as trade becomes increasingly global.

Argentine budget deal curbs Cavallo

By David Pilling in Buenos Aires

Mr Domingo Cavallo, Argentina's combative economy minister, may fail to win extra powers he sought to cut public expenditure following a pact by governing Peronist and opposition deputies.

The agreement, which should clear the path for congressional approval of the 1995 budget within 10 days, excludes from the budget package a controversial article that would have given Mr Cavallo additional powers to push through privatisations and cut state bureaucracy.

Mr Cavallo had hoped article 14 – *which included authority* to merge or eliminate state bodies and to cut the number of public employees – *would* have saved the treasury about $1bn next year. But many congressman were reluctant to grant Mr Cavallo what they considered sweeping powers to bypass the legislative branch.

The issue has taken on particular relevance because of the emergence in the third quarter of a budget deficit, the first in more than two years. Mr Cavallo has sought to blame the deficit on growing pensions payments, but many commentators argue that fiscal laxity in other areas explains much of the deterioration.

The deficit has forced Mr Cavallo to ask Coogress to amend the 1994 budget, granting extra expenditure of $1.3bn to meet pensions and bonuses over the oext two months.

Investors keep eye on Zedillo's peso policy

Damian Fraser on pressure for Mexico devaluation

When Mr Ernesto Zedillo, Mexico's next president, takes office on December 1, domestic and foreign investors alike will be watching for his administration's views on exchange rate policy.

Despite a depreciation of more than 10 per cent against the dollar this year, some economists worry that the peso is over-valued. Mexico's current account deficit is expected to widen to about $28bn this year, or more than 7 per cent of gross domestic product. With capital flows insufficient to finance the deficit, reserves have fallen by about $10bn since February, and short-term interest rates have risen to 14.1 per cent, more than 7 per cent in real terms.

Normally sanguine economists now conclude that for interest rates to come down *and economic growth* to accelerate from the modest 3 per cent expected for this year, a devaluation is necessary. "It is a medium and long-term problem rather than a short-term one: but eventually we are going to have a change in exchange rate policy," says Mr Jonathan Heath, head of the economic consultancy Macro Asesoria Economica.

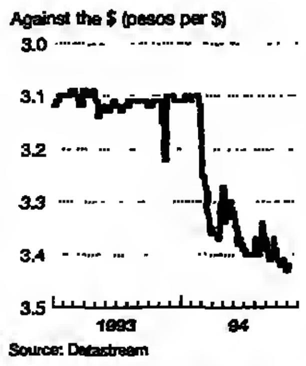
Mr Zedillo publicly backed the renewal of the *pacto* between government, business and unions in late September, *which permits a daily slide of* the peso against the dollar equivalent to 4.3 per cent in a year. Anything more than that would require central bank intervention.

However, partly due to the rise in US bond yields and continued political uncertainty in Mexico, the *pacto* has failed to bolster confidence in the currency, or reduce interest rates. Yesterday the peso was trading at 3.43 to the dollar, just below the central bank limit of 3.45.

Mr Zedillo's close advisers *insist* – as they must – that there is no need to devalue. "Capital account inflows determine the deficit and not the other way round," says Mr Jaime Serra Puche, the trade minister who is one of the front-runners to become finance minister under Mr Zedillo. "The day you stop having capital inflows then the rhythm of imports will slow down."

Such a relationship has not held this year. In the six months to June the current account deficit grew by 23.9 per cent to reach $14.2bn; the surplus on the capital account fell by 21.6 per cent to $12.45bn. While lower capital inflows will eventually reduce imports, many observers believe the best mechanism to induce the adjustment is through a devaluation of the currency.

Mexican peso



Source: Datastream

Using a different argument, Mr Serra predicts that import growth will fall as the rapid restructuring in Mexico's industrial sector slows. He *says import growth in recent* years has been unusually high because companies have replaced obsolete machinery with imported capital goods. Once this process is over, he saya, new capital goods imports will complement rather than substitute for existing capital goods, leading to a narrowing between the rate of growth of imports and exports.

But for the moment industrial restructuring is continuing, indicating that the economy will be dependent on foreign capital for some time. With high US interest rates turning sentiment against most emerging markets, Mr Zedillo may seek to bolster confidence in the currency by announcing a series of pro-market economic reforms, such as new privatisations, further opening of sectors such as energy to private capital, and deregulation.

Such steps or similar ones, along with an expected improvement in the political climate after Mr Zedillo takes office, may prove sufficient to calm the markets. But if investors remain nervous, Mr Zedillo faces three unpalatable choices: maintaining or raising current high interest rates to draw in short-term capital; increasing the current rate of maximum depreciation of the currency; or pushing for a one-off devaluation.

Keeping interest rates high would hurt economic growth and make it difficult for Mr Zedillo to reach his target next year of 4 per cent. It would put further pressure on Mexican companies that are struggling *under high financing costs*. And as Mr Serra argues, high interest rates are one of the causes of the trade deficit; Mexican companies, he says, are finding it difficult to compete with importers of intermediate and capital goods because they cannot offer attractive credit terms to customers.

Some members of the Salinas administration have argued in favour of increasing the daily depreciation of the exchange rate band, believing that such a move would improve compet*itiveness and take pressure off* the currency. But with investors expecting a more rapid depreciation of the currency over time, they may demand higher interest rates to compensate for the greater exchange rate risk. "Widening the band would be the worst of all worlds," says Borja Ussia of Grupo Moneda in Mexico City.

Government officials insist that a one-off devaluation would be even more damaging. They argue that interest rates would rise after a devaluation, with investors concerned that inflation would rise as import prices increase. And many of Mexico's largest companies would be hit with huge losses on the foreign currency loans they have taken out in recent years.

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NEWS: INTERNATIONAL

Bank lending fall underlines fragility of Japan's recovery

By William Dawkins and Gerard Baker in Tokyo

Japan's official economic forecaster yesterday upgraded its outlook slightly, but the fragility of the recovery was underlined by a record fall in bank lending last month.

Bright economic spots are continuing to spread, said the Economic Planning Agency's monthly report for October. It pointed as evidence to a "gradual uptrend" in industrial prodnction and "signs of a pick-np" in corporate profits. This contrasts with September, when the economy was seen heading for recovery, the first official recognition of the end of Japan'a three-year economic downturn, the longest in post-war years.

Subtle changes in wording from one EPA report to the next are closely watched as an influence on monetary policy. So the Bank of Japan can be expected to take the latsst prognosis as further evidence that it has no domestic economic reason to cut official interest rates, despite the dollar's renewed fall last week to a record low against the yen.

The EPA's cautious optimism is the latest sign that Japan'e economic cycle has slowly turned, as Y45,000bn (£286bn) of government spending programmes over the past two years and an income tax cut last summer have started to feed through into corporate activity and private spending. On the corporate front, industrial production rose 1.6 per cent in the three months to September, the third quarterly riss in a row.

Meanwhile, the jobs market has become slightly less weak, shown hy a rise, for two months in a row, in the number of jobs available per 100 applicants, from 63 in August to 64 in September. The labour market is still tough, especially in manufacturing, which employed fewer people than services in September for the first time recorded, hut the worst is over, said an EPA official.

Yet the fall in bank lending, announced by Federation of Bankera' Associations yesterday, is equally a sign that consumption may he lagging and that hanks' lending policies continue to get tighter.

The balance of lending by the 11 "city banks", the country's main retail banks, fell hy a record 1.8 per cent in October from a year earlier, the tenth consecutive monthly fall, and the largest year-on-year decline since the statistics were first collected in 1954. The fall was blamed on weak demand for personal housing loans, consumer credit and corporate capital investment funds.

The rapid growth in problem loans produced by the collapse of property and other asset prices in the last few years has at the same time forced banks to adopt a more cautious epproach to domestic loans.

Over a quarter of all lending by top banks is secured on property. Land prices have kept falling in the main cities in the past year; as a result banks have reduced credit lines to many smaller customers. Lending by the three long-term credit banks fell 0.9 per cent from e year before, hut loans from the seven smaller trust banks registered 4.5 per cent up on a year ago.

NTT battle with competitors hots up

By Michiyo Nakamoto in Tokyo

The battle between NTT, Japan's largest telecommunications company, and its smaller competitors over use of NTT'e local network intensified yesterday as three long-distance telecoms operstors asked the authorities to step in.

DDI, Japan Telecom and Teleway Japan have asked the Ministry of Posts and Telecommunications to intervene in talks with NTT, stalled because of differences over rates set by NTT for use of its local network.

The companies, which have been negotiating with NTT for the past five years, claim this prevents them from offering discounts to customers equivalent to the discounts NTT can offer for the same services. The three compete with NTT as long-distance carriers hut depend on using NTT'e local network.

They want to set up so-called virtual private networks (VPNs), allowing users to cut their communications hills substantially hy using puhlic networks as though they were internal networks. NTT has already started providing VPN services.

This is the second time in recent months that NTT has been accused of using its monopoly over the local network to impede the husiness of its long-distance competitors.

The latest row is likely to support claims thet NTT should be broken up into separate local and long-distance businesses to introduce greater competition into Japan's telecommumications market and ensure existing competition is given a fair chance. NTT faces a decision hy the Japanese government next year on its future status.

The three long-distance carriers have been asking NTT to allow them to set their own rates for VPN calls made on NTT's local network eo that they can offer their own customers similar discounts to what NTT offers.

NTT counters it is happy to link the three carriers to its local network for VPN services hut cannot allow them to set rates for use of its own network. "The local network is NTT's husiness," an NTT official said.

Japan's telecommunications policy, which separates long-distance and local operations, has not kept up with developments in the industry, sucb as the emergence of new services euch as VPN.

To accommodate the emergence of these new services, policy should reflect the need for telecoms operators to provide end-to-end services, the NTT official noted.

TV 'people-meters' attacked

By Emiko Terazono in Tokyo

Japan's leading commercial networks yesterday hit at Nielsen Japan, the Japanese arm of the US marketing group, over its launch this month of an automated system measuring television ratings.

The television networks, stakeholders in Video Research, a ratings research company which holds a virtual monopoly of the business, said Nielsen's decision to offer the ratings service was "regrettable".

Video Research measures ratings per household, rather than individuals as in the US and European countries. The deta is snpplemented hy diaries kept by individual viewers one week in a month.

The networks had previously warned that Nielsen's move would cause "confusion" in the television advertising business. They had not wanted Nielsen to start its service until all four parties involved in the ratings business (advertisers, advertising agencies, networks and ratings companies) had all agreed to the launch.

Nielsen's move to go ahead despite networks' strong opposition has frustrated network officials. "We really weren't expecting this," said Mr Yasuharu Urushido of Nippon Television Network. Corporate advertisers and foreign advertising agencies, which have been calling for individual ratings for over a decade, have backed Nielsen'e decision. They want more detailed data on the age and sex of viewers.

As a compromise, Nielsen and corporate advertisers had agreed to use data from the "people meter" system solely as "marketing data" and not as a basis for negotiating advertising rates with the networks. The company offered to provide the networks with the data free for the first five months.

The networks describe the "people meter" system as imperfect and the data inaccurate. Nippon Television and Tokyo Broadcasting Service said they had rejected Nielsen's offer of free data.

French president skims over French role in Rwanda

Mitterrand defends Africa record

France's President François Mitterrand mounted a strong defence of his record in Africa yesterday but did not reply to harsh critics of France'e policy before and after thia year's Rwandan genocide, Renter reports from Biarritz.

Addressing his last Franco-African summit, the 78-year-old leader said France remained Africa's firmest foreign friend and its biggest aid donor.

In a valedictory message ending his 50-year association with Africa, Mr Mitterrand appealed to whoever succeeds him as president next May to maintain France's strong ties with the world's "most fragile continent".

But he skimmed over France's much-criticised role in Rwanda where hardliners in the ousted Hutu-led government organised the genocide of up to 1m people between April and July. Under President Mitterrand, France gave sustained military and political support to the former regime.

The new Tutsi-led government accuses Paris of orchestrating efforts to destabilise it, citing the blocking of European aid and delays in bringing the culprits to international justice.

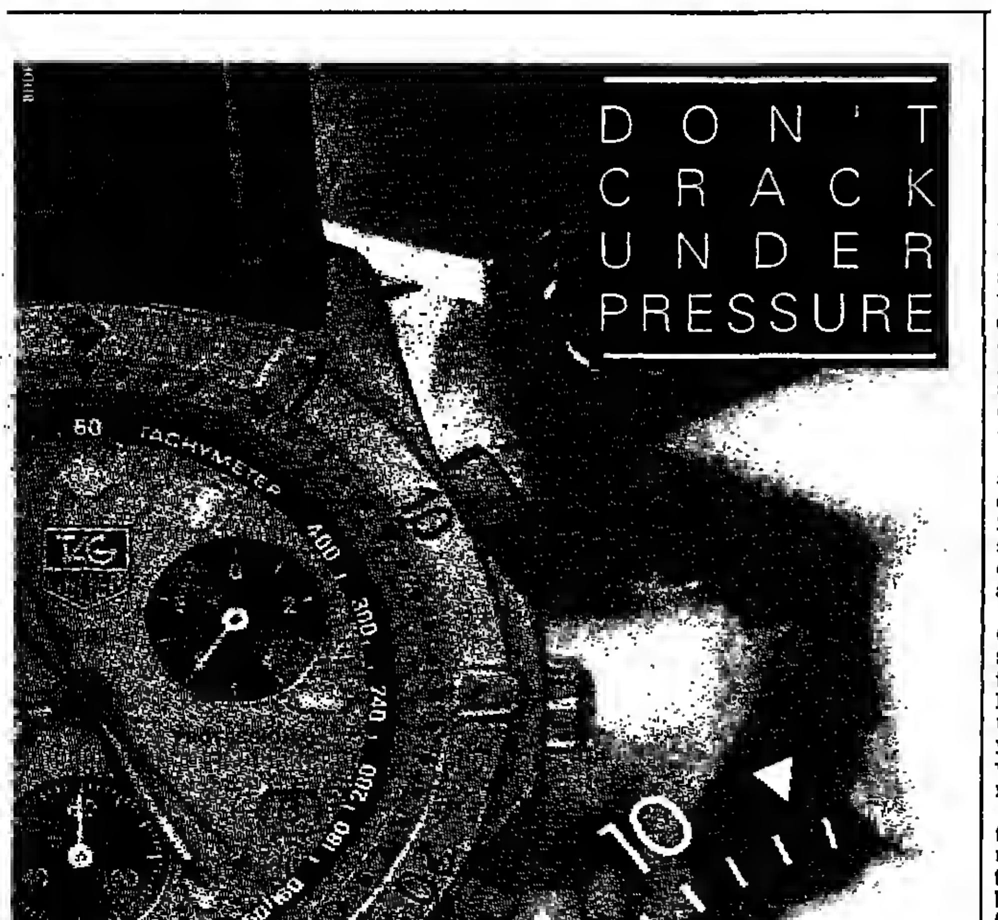
For the first time since 1975, Rwanda was not invited to attend the Franco-African summit. France said it preferred to see the situation "evolve" in Kigali, but many African delegates said they regretted the new government's absence.

President Mitterrand with Presidents Bongo of Gabon (right) and Mobutu of Zaire (centre) Reuter

Delegates expected Rwanda to be at the centre of the summit's two plenary sessions before today's close. But France was promoting a debate on the creation of an African intervention force to respond quickly to the continent's frequent and bloody conflicts.

French media and African opposition parties accused Mr Mitterrand before the summit of betraying his early promises to help end the autocratic rule of African political "dinosaurs" personified by Zaire's Mobutu Sese Seko.

Mr Mobutu, who earned French gratitude for his support on Rwanda, was in Biarritz and back in limited favour with France despite Zaire's continued state of economic chaos and political instability.



UN to seek police for Rwanda

United Nations Secretary General Boutros Boutros Ghali said yesterday he would ask the Security Council to consider sending a police contingent or "rapid deployment force" to tighten security in Rwandan refugee camps, Reuter reports from Geneva.

But the UN chief, speaking after chairing a crisis meeting on Rwanda, conceded he might fece donor-fatigue among states being asked to provide cash or troops to the new operation.

Mr Shahryar Khan, UN special envoy for Rwanda, said a series of options would be put to the Security Council. The largest foresaw deployment of up to 4,800 troops for at least a year to halt intimidation and violence in the camps by Hutu militiamen.

Mr Boutros Ghali will return to New York late tonight to relay several proposals from ths Geneva talks, also attended by the UN high commissioners for refugees and human rights.

Mandela seeks new mines policy

By Mark Suzman in Johannesburg

President Nelson Mandela yesterday called on Sontb Africa's mining honses to expand their dialogue with the government and trade unions hy establishing a permanent forum of big stakeholdera to help shape a new policy framework for the industry.

Addressing tbe Johannesburg meeting of the Chamber of Mines, an umhrella body representing mining industry interests, Mr Mandela said such a forum could improve prodnctivity and belp mines develop education and training initiatives for workers, while improving health and safety measures.

"Tbe mining Industry's impressive technological achievements still confront archaic social conditions and a workforce built on a low skills base and largely confined by illiteracy."

While praising the achievements of the industry as "truly remarkable," Mr Mandele avoided addressing the qnestion of mineral ownership, merely saying be hoped that "under whatever form of ownership," mining would seek "to uplift the most disadvantaged of our society".

Since last year, a debate has been under way in Mr Mandela's African National Congress on whether tbe state should assume ownersbip of all mineral rights, to release under-used deposits for possihle exploitation hy foreign investors and smell bleck-owned mines, or whether it should accept the private ownership system.

Talks between the ANC, the mines and the Department of Mineral and Energy Affairs have been continuing since the April general elections, hnt the government has yet to make a definitive policy statement on the issue. For the moment, Mr Mandele's address appears to indicate the state's willingness to accept the *status quo* while encouraging further social responsibility programmes hy the mines.

Mr Jurie Geldenhuys, outgoing president of the chamber, responded by urging "a synergistic and co-operative relationship" between government and mining, and praising the administration's non-interventionist approach to the private sector as a whole.

Bnt Mr Geldenhnys criticised planned alterations to labour laws, such as more public holidays and a 40-hour maximum work week, as well as tighter environmental controls, charging they constituted "an anachronism" thet could prove extremely costly to the industry.

South Korea eyes the North's attractions

John Burton on economic benefits of Seoul's easing of business links with Pyongyang

Seoul has opened the door to economic co-operation with North Korea, offering the possibility of long-term peaceful integration between the two bitter foes. But investment by South Korean companies is likely to be modest for the immediate future.

Investment guidelines announced by the Seoul government yesterday will guarantee a gradual expansion of economic ties.

South Korea's decision to ease trade and investment curbs follows the settlement of the international dispute over North Korea's nnclear programme last month. Seoul suspended economic co-operation with Pyongyang two years ago after North Korea threatened to withdraw from the international nnclear safeguards agreement.

Initial investments will be limited to light industry, but large-scale infrastructure and energy projects will be postponed until progress is achieved on such political issues as intra-Korean nuclear inspections.

South Korean businessmen and technicians will be allowed to travel to North Korea to conduct feaslbility studies, establish branch offices and manage factories. Machinery can be shipped to the North to equip factories handling reprocessing orders from the South.

South Korean companies will also be permitted to employ cheap North Korean labour in third countries for construction and natural resources projects.

They will also be allowed to participate in investment projects through joint ventures with other countries, primarily China, or multilateral programmes such as those sponsored by the UN Development Programme.

South Korea's President Kim Young-sam's decision to resume economic ties is meant to encourage tbe opening of North Korea and promote the gradual reunification of the divided peninsula, while ecknowledging Pyongyang's new leadership under Mr Kim Jong-il.

But the South Korean investment guidelines are the result of a domestic political compromise on the issue. Full-scale economic co-operation would have angered conservetivee who argue that industrial investments would only resuscitate North Korea as its economy appears headed for collapse.

But South Korea's powerful conglomerates, or *chaebol*, have been lobbying strongly for an easing of investment restrictions because they want to take advantage of North Korea's cheap labour force and the country's potential as a new market for consumer goods.

Presidents Kim Young-sam (left) and Kim Jong-il

They have also expressed fears that US, European and Japanese companies may establish a foothold in North Korea before they do, if the restrictions are left in place.

The *chaebol* appear ready to live with the remaining economic restrictions since they are cautious about committing large amounts of investment to North Korea. Concerns range from the country's poor infrastructure to the absence of investment guarantees and a double taxation treaty.

South Korean companies have been scouting production sites in North Korea since 1989, with 13 *chaebol* having sought government approval to conduct negotiations with Pyongyang on investment projects, according to ministry of trade, industry and energy officials.

Proposed investments mainly concern the production of light industrial goods, including textiles, electronics, and food products. Several companies also want to develop tourist facilities near Mount Kumkang, one of Korea's most famous scenic areas. Samsung and Lucky-Goldstar are reprocessing textile products in the North.

Short term, Samsung wants to expand activity to include manufacture of electronics products. Lncky-Goldstar plans to produce daily consumer items, while Daewoo hopes to establish an electronics assembly complex in the port of Nampo, near Pyongyang.

The *chaebol* eventually want to win construction orders for infrastructure projects and operate gold, zinc and iron mines in North Korea. Hyundai has expressed interest in establishing a ship repair yard in Wonsan and producing railway carriages, while Lucky-Goldstar would build oil refining and petrochemical facilities.

These investment plans will be affected by Pyongyang's conditions governing foreign investment. North Korea has been seeking foreign investment to revive its troubled economy, which has contracted by an annual 5 per cent in the past four years. It has recently copied many of China's foreign investment laws.

But North Korea still has ambivalent attitudes to *chaebol* investment.

"The North Koreans fear they will become an economic colony of the *chaebol* and would prefer doing business with smaller South Korean companies," said one western business consultant who travels frequently to Pyongyang, "but they also realise the *chaebol* are the only ones possessing enough financial resources to undertake the big industrial projects that would benefit North Korea."

North Korea may try to place geographical restrictions on where the *chaebol* can operate to prevent the population from being exposed to foreign influences that could undermine support for the Pyongyang government. It has been trying to limit foreign investment to the country's north-eastern region, hut potential foreign investors complain the area is too isolated and lacks transport links.

The confidence of the South Korean government and *chaebol* concerning North Korean investment will be strengthened if Seoul is allowed to build new and safe nuclear reactors to replace Pyongyang's current nuclear programme, scheduled to be dismantled under its recent nuclear deal with the US.

The project is considered a key test of North Korea's willingnese to co-operate with Seoul and accept the presence of at least 1,000 South Korean workers who will help build the reactors – the first significant venture between the two countries.

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NEWS: INTERNATIONAL

INTERNATIONAL NEWS DIGEST

S Africa land bill moves on

South Africa's national assembly yesterday passed a *Restitution* of Land Rights Bill in a first step to compensating millions of blacks dispossessed under apartheid. The bill, the first significant legislation aimed at redressing the wrongs of apartheid to go through parliament, provides for a Commission on the Restitution of Land Rights to help claimants bring their cases to a Land Claims Court. The legislation provides for hearing of any claims dating back to 1913. Most parties support the idea of land restitution for the 3.5m blacks forcibly removed from their lands, but most claims will be difficult to assess. Also, the government will find it hard to provide financial compensation for those whose claims are upheld. The bill still has to be passed by the Senate before it can be signed into law. *Mark Suzman, Johannesburg*

Thailand may ban visit

Thailand may cancel a visit next month by an Australian parliamentary delegation in response to comments by Mr Gareth Evans, Australian foreign minister, that Cambodia'a Khmer Rouge rebels continued to receive unacceptable assistance from Thailand. On Sunday, Mr Evans said he would urge the Thai government to stop its businessmen and soldiers supplying Khmer Rouge guerrillas. He was not accusing senior levels of the Thai government of directly helping the Cambodian guerrillas, be added. *Reuter, Bangkok*

Australia 'adjustments' needed

Adjustments in Australia'a policy settings would be needed to keep inflation at bay, Mr Ralph Willis, treasurer, acknowledged yesterday. His comments followed fierce debate over whether the government should adopt a tighter fiscal strategy to stop Australia lurching into another "boom and bust" cycle. To achieve a 2-3 per cent target of underlying inflation, "wa have to adjust policy to curb the natural tendency of the economy to spiral. That means from time to time policy has to be adjusted." *Nikki Tait, Sydney*

Secret deal claims denied

Mr Brian Loton, Broken Hill Proprietary chairman, and Sir James Balderstone, former chairman, yesterday denied claims they knew of an alleged "secret arrangement" between Elders IXL, the group formerly controlled by Mr John Elliott, and companies associated with Mr Allan Hawkins, the now-jailed New Zealand businessman, relating to purchase of BHP shares. The alleged agreement is at the centre of a Melbourne committal bearing following filing of theft and conspiracy charges against Mr Elliott and other Elders IXL executives last year. Elders is alleged to have used sham foreign exchange transactions to cover transfer of A$66.5m (£30.2m) to Mr Hawkins, a payment supposedly related to purchase of BHP shares by him in the late 1980s. *Nikki Tait, Sydney*

Japan to review profits burden

Japan will review the tax burden on corporate profits as Japanese manufacturers shift their plants abroad to ride out the impact of the high yen, *Mr Masayoshi Takemura*, finance minister (left), said yesterday. "It's inevitable the percentage of firms moving abroad will increase. We will review the taxation on corporate profits to this effect," he told the tax reform committee of the lower house. Corporate taxes levied by Japanese regional governments were higher than in other leading industrial nations, whila Japanese factories were shifting overseas relatively slowly. *Reuter, Tokyo*

Gas utilities face tough test

Japanese natural gas utilities will be exposed to greater competition next year when the first steps to deregulate the industry take effect, Mr Koshiro Godo, Japan Gas Association senior managing director, said. The amendment to the Gas Industry Law would ease rules on who can supply gas and at what price, he told a conference in Indonesia. *Reuter, Jakarta*

Why Manila acted on peso

The Philippine central bank is not trying to reverse the rise of the peso but is using "limited interventions" to smooth volatility, Mr Edgardo Zialcita, acting governor, said. The bank's intervention in the market yesterday was designed to "stop a sharper decline in the dollar value". The central bank bought $40m as the peso surged 68 centavos to hit a 29-month high of Pesos 23.50 to the dollar before easing. *Reuter, Manila*

Indonesia murder trial

An Indonesian court has begum trying fiva policemen on charges of killing a student, after it jailed two others for masterminding the alleged murder, Antara News Agency said. The five accused face up to three years' jail if convicted of murdering Mr Jerri Manafe. Amnesty International claimed this month the policemen took Manafe from a hospital. "A few hours later the abductors took him to another hospital where he was pronounced dead." *Reuter, Jakarta*

■ Libya has devalued the dinar more than 15 per cent, bankers in Libya and Tunisia said yesterday. *Reuter, Tunis*

■ The Iranian parliament has voted to double fuel prices from next March despite warnings about the inflationary effect. Mr Gholamreza Aghazadeh, oil minister, had pleaded he needed the extra revenue to implement projects. *Reuter, Tehran*

Israel moves to speed Palestinian self-rule

By Julian Ozanne in Jerusalem

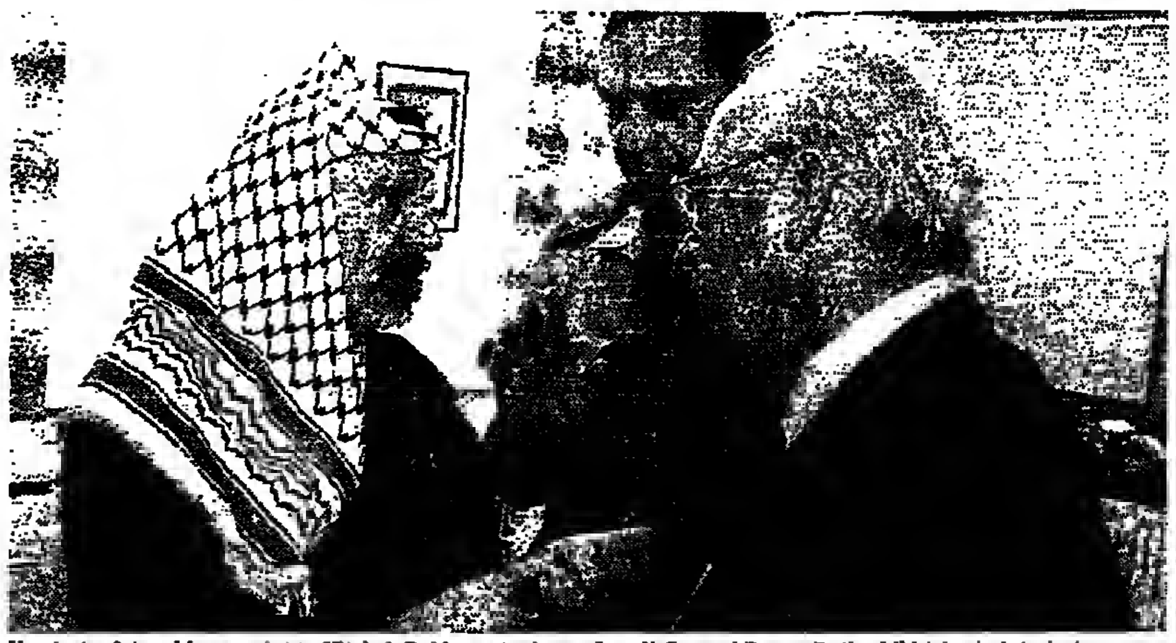
Israel and the Palestine Liberation Organisation agreed a series of measures yesterday to speed the expansion of Palestinian self-rule, amid growing concerns about the pobtical and economic crisis in the Gaza Strip.

After a meeting with Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, Israeli prime minister Yitzbak Rabin said Israel had agreed to complete transfer of administrative power to Palestinians over West Bank health, welfare, taxation and tourism by the end of tha month under an agreement known as early empowerment whicb has already transferred education to Palestinians.

Mr Rabin also said Israel would add talks on Israeli troop redeployment from the West Bank and the transfer of authority to continuing negotiations about Palestinian elections and had agreed to ease Israel's closure of Gaza and the West Bank by increasing the number of Palestinian workers allowed to cross into Israel by 10,000 to 23,000.

The package of measures completes the transfer after months of delay and growing mutual suspicion.

Israeli officials said Mr Rabin appeared to have made a strategic decision to implement the Israeli-PLO agreements despite opposition from senior military officers.



Yassir Arafat making a point to Yitzhak Rabin yesterday as Israeli General Danny Rothschild tries to interject *Reuter*

They said Mr Rabin recognised that unless the peace process is implemented much faster Mr Arafat's fragile support base will collapse in the face of a resurgent Islamic opposition.

Mr Arafat said the meeting bad been very positive. "We hope that in this atmosphere we will follow up and implement accurately and honestly what we agreed upon."

However, even with Israel's commitment to accelerating the process officials said it was unlikely that the Israeli army would leave Palestinian population centres before the middle of next year a full year behind schedule.

The pace of future negotiations, which Mr Rabin said would start within two weeks, will depend largely on what instructions Mr Rabin gives to the four-person Israeli negotiating team. But observers said the inclusion of two foreign ministry officials should help to speed the talks given the clear enthusiasm of the foreign ministry for quicker implementation.

"They will certainly be complex negotiations in which we, as Israelis, will have to ensure ourselves all the components of security. I cannot estimate how many months the talks will last," Mr Rabin said.

Mr Rabin also said early empowerment would depend on an agreement with donors to meet the additional funding gap the Palestinian authority will incur as it takes over responsibility in the West Bank. Israel, the PLO and donors are close to completing an accord under which Israel will assist the Palestinians with tax collection, tax training and the transfer of tax data in Arabic and donors will meet an estimated additional deficit of $27m (£17m) for the next six months.

Donors have agreed to meet the financing gap but have warned they cannot continue funding Palestinian running costs indefinitely while Israel continues to collect millions of dollars of customs duties from the West Bank. The customs duties will only accrue to tbe Palestinian treasury after Israeli troop redeployment and Palestinian elections.

Biotechnology drugs can save 'millions of lives'

By Frances Williams in Geneva

Vaccines and other drugs derived from biotechnology have the potential to save millions of lives, especially in developing countries, and to combat diseases ranging from cbolera to cancer and Aids, according to scientists advising the World Health Organisation.

Sir Gustav Nossel of the Royal Melbourne Hospital, Australia, said yesterday that genetically engineered (recombinant) drugs were "purer and safer" than conventional vaccines, highly effective and could be manufactured in large quantities. Far from introducing additional regulations to control such drugs, the need was to make them as widely available as possible, he said.

Sir Gustav was speaking near the end of a three-day meeting, which he chaired, on the safety and ethics of using recombinant DNA vaccines and drugs to tackle disease. He said tbe meeting, wbicb brought together doctors, scientists, ethical experts and consumer and industry representatives, had found no innate disadvantages in the use of genetically-engineered products compared with conventional ones and many benefits.

Recombinant DNA products already in use include hepatitis B vaccine, insulin and erythropoietin, which belps patients dependent on artificial kidneys. Products in tbe pipeline include vaccines against cholera, typhoid, Aids, certain cancers sucb as melanoma and birth control drugs producing temporary infertility in women and men.

A new whooping cough vaccine that would avoid the "nasty" reaction now shown by one in 2,000 children could be available "quite soon", Sir Gustav said. Clinical trials on a drug to combat genital herpes were well advanced.

The WHO pointed out that some of these products, such as erythropoietin, could not be made by conventional means while manufacture of insulin once required tbe slaughter of 30m pigs a year. Biotechnology can also help make drugs safer by avoiding infection risks.

The UN agency sees some of the biggest benefits coming in developing countries where up to 12m people die each year from infectious diseases. The hope is that genetically engineered vaccines may overcome the limitations of existing vaccines.

The new drugs tend to be far more expensive than their conventional counterparts. But delivery costs, which account for 90 per cent of the cost of immunising a child, could be slasbed by development of heat-stable vaccines which do not need expensive refrigeration and "one-shot" vaccines giving protection from several diseases in a single dose.

Pakistani hostages are freed

Pakistani Islamic militants yesterday released abont 50 government officials taken hostage in a remote north-western region at the start of a violent campaign for Islamic laws, Reuter reports from Peshawar.

The officials, freed at Matta town in the North West Frontier Province, were unhurt, provincial police chief Masud Shah said. The hostages included two jndges, a senior local civil servant and a senior police official.

Yesterday's release was the largest group of bostages freed after the heavily armed militants began a truce on Sunday on the orders of their leader, Sufi Mobammad, after two days of battles with security forces in whicb at least 25 people from both sides died.

Provincial chief minister *Aftab Ahmad Sherpao*, who ordered the enforcement of Islamic laws last Thursday, in an interview published yesterday linked "foreign involvement" to the militants' action.

Last Thursday, the militants killed a provincial parliament member of Prime Minister Benazir Bhutto's Pakistan People's Party after taking him hostage.

Mr Sufi says the demand of his Tehrik Nifaz Shariat-i-Mohammadi organisation has been met and he is satisfied by the Sherpao order.

But some local TNSM leaders say they do not trust the government, hinting at a rift in the fundamentalist group.

Despite a sharp political polarisation in Pakistan, there has been little sympathy for the militant cause.

Moscow wins Iraqi pledge over Kuwaiti sovereignty

Russia's mediation drive between Iraq and Kuwait moved into top gear yesterday, when Mr Tariq Aziz, visiting Iraqi deputy prime minister, handed over a letter dealing with Baghdad's recognition of its former Gulf War foe, Reuter reports from Moscow.

"Tariq Aziz... handed President Boris Yeltsin a message from Iraqi President Saddam Hussein on Iraq's recognition of Kuwait's sovereignty and borders under United Nations Security Council Resolution 833," a foreign ministry statement said.

Foreign ministry officials would not comment on whether the letter had specified Iraq would now officially recognise Kuwait. But the statement said Mr Yeltsin had ordered Foreign Minister Andrei Kozyrev to fly to Baghdad "to take part in completing the appropriate constitutional procedures". *Itar-Tass* news agency said he would leave for a three-day trip to Iraq today.

Mr Kozyrev has been pushing for weeks for Iraq formally to recognise Kuwait, and for the international community to lift trade and oil sanctions against Moscow's old ally in response.

The talks with Mr Aziz follow Mr Kozyrev's announcement on October 13 that he had won an apparently unconditional promise from Mr Saddam to recognise Kuwait's sovereignty and borders. But the Security Council insisted this pledge had to be fully ratified in legal form before sanctions could be eased.

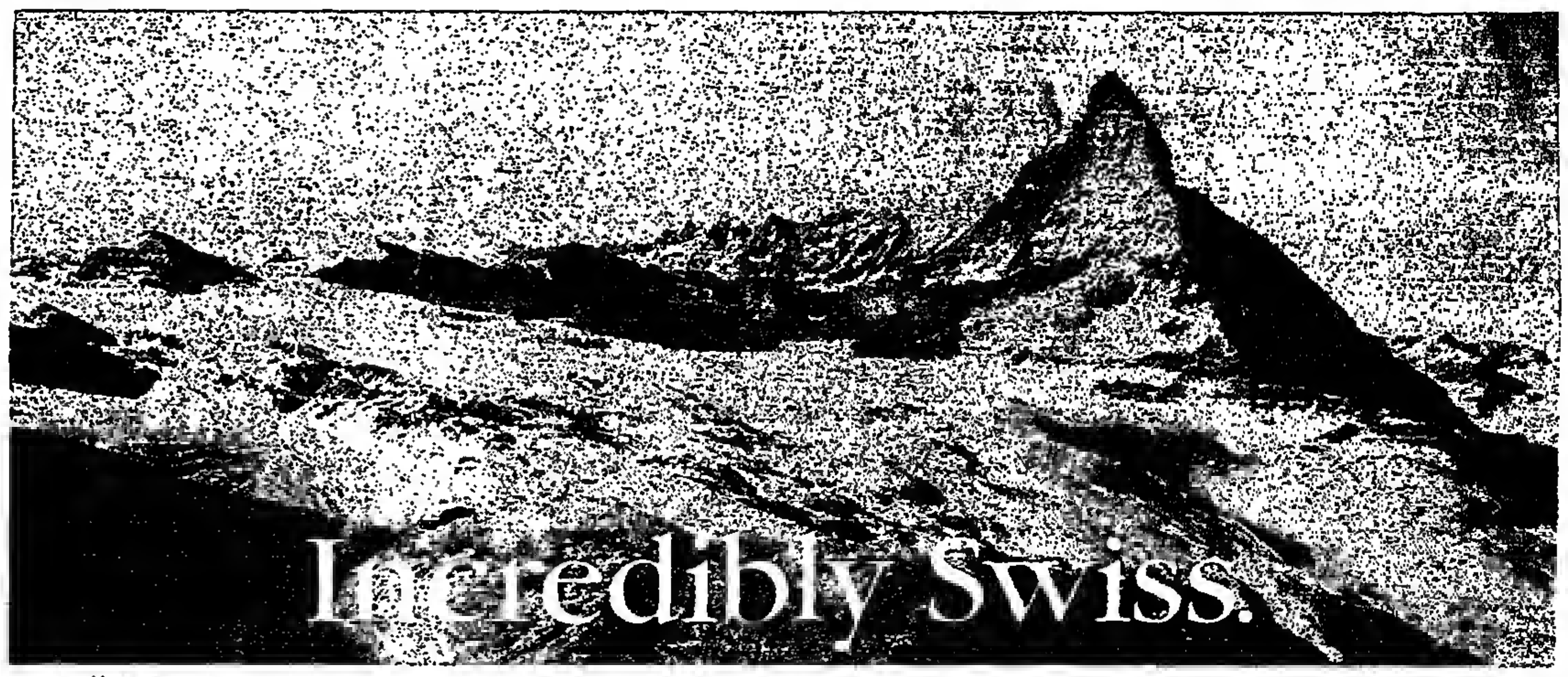
In return for full Iraqi recognition of Kuwait, Mr Kozyrev last month promised that Russia would support a lifting of the embargo on Iraqi oil exports after six months.

Iraq has been under UN trade sanctions since shortly after it invaded Kuwait in August 1990. The embargo includes a ban on crude oil exports, which were the country'a main foreign revenne earner before the Gulf War.

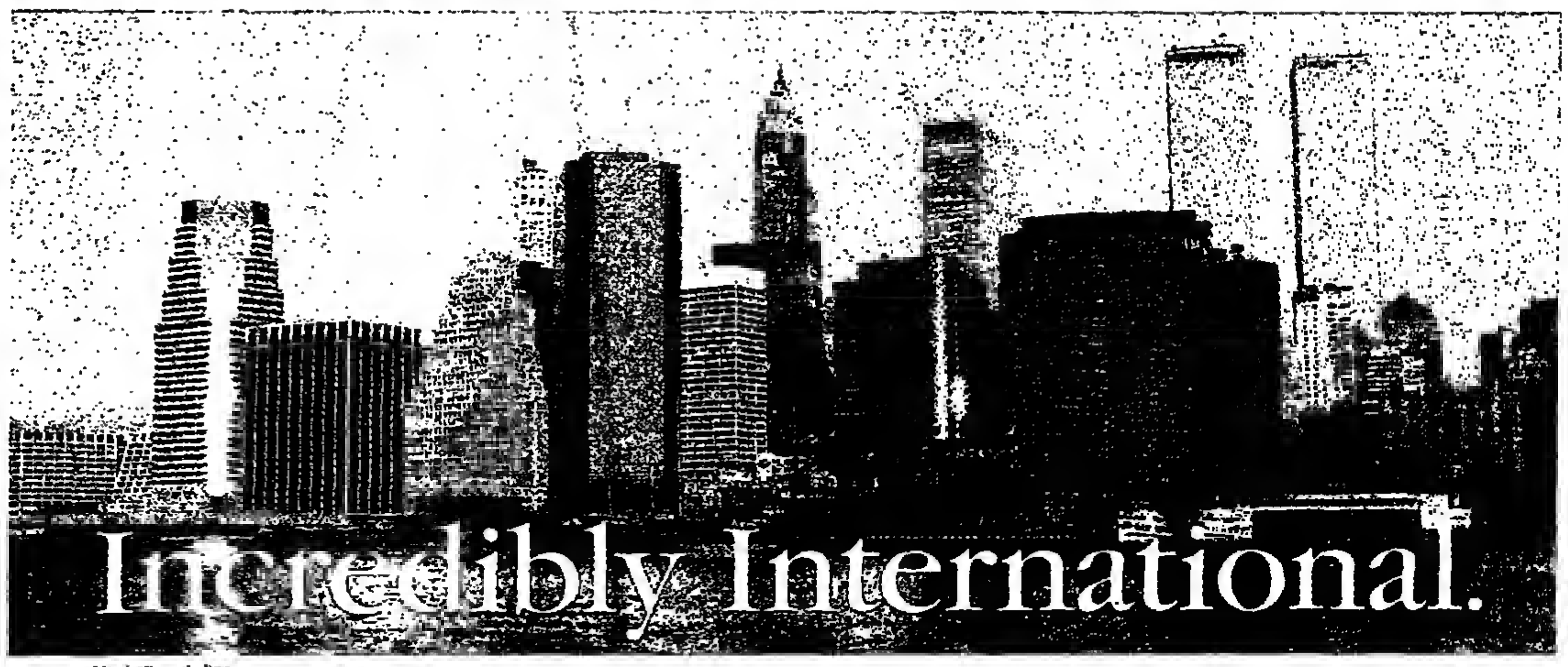
Although food imports are allowed under the ban, Iraq has refused an offer to sell a limited amount of oil under UN supervision and use part of the proceeds to meet domestic humanitarian needs.

Yesterday's meeting in Moscow, from which reporters and photographers were kept at arm's length, continued moves by Moscow to recover lost status as a player in high-profile Gulf diplomacy.

Apart from raising the Kremlin's faded profile in the Middle East, a settlement with Iraq allowing it to resume its oil exports would clear the way for Baghdad to resume paying Moscow an estimated debt of between $10bn and $16bn for arms supplied in the 1970s and 1980s.



Matterhorn



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United Biscuits adopts EU rule

Group creates Europe-wide works council

By Richard Donkin, Labour Staff

United Biscults yesterday became the first British company to establish a works council of the type recommended by the European Union. The British government has opted out of the EU's directive on works councils.

UB's voluntary agreement with UK and other trade unions is the first of what are expected to be a number of such agreements involving UK multinational companies in spite of the government's stance on the issue.

Some 90 UK-based multinational companies – each with more than 1,000 employees in other EU states – will be required by the directive to set up works councils for their workers ontside the UK. Even thongh they will not be required to include their British workforces, many are expected to do so.

The GMB union, one of the biggest in the UK, predicted that the agreement would be the first of several such deals with UK multinational companies. Mr David Williams, the GMB national secretary who led the negotiations with the company on hehalf of UK unions, said: "United Biscuits should be congratulated as the first UK-based transnational to voluntarily establish a European-wide works council." United Biscuits argued yesterday thet the works council, which it is calling a European information and consultative council, made sound husiness sense.

The company said it would he "counter-productive" to omit Britisb employees from the council structure.

The agreement to establish the works council was negotiated with nine UK unions in addition to unions representing United Biacuits' seven operations in other EU countries.

Some 30 employee representatives from all eight countries will meet annually just after UB's annual results are published.

Mr Mike Wilkinson, United Biscuits buman resources director said: "We believe that a workforce that understands the objectives of business and the pressures on it is better able to respond appropriately to necessary operational change."

The agreement was welcomed by the Trades Union Congress, which said: "It shows that one of Britain'a leading employers does not accept the rhetoric thet says consultation on the European model is bad for business."

S Africa and Hong Kong may join lottery

By Raymond Snoddy

The UK's National Lottery, which is to be launcbed on November 19, could bscome international next year.

Mr Peter Davis, director-general of the Office of the National Lottery (Oflot), said yesterday he would consider allowing non-UK residents to take out a subscription to the lottery. The main possibilities are probably areas with long-standing British connections such as South Africa, Hong Kong or Cyprus. Oflot has had requests from potential players in a number of countries including Australia.

When the lottery begins, players will be able to go to retail outlets and choose numhers for up to eight weeks ahead. From some time next month it will be possible to take out a six-month subscription to the lottery under which the same number will be entered into the weekly £2m jackpot draw each week for six months once the subscriber's cbeque bas been cleared. At the moment only those with a UK address and a UK hank account will be accepted as subscribers.

Mr Davis says be is prepared to look at extending the suhscription rules as long as he feels able to carry out his regulatory duty to look after the interests of all pisyers.

Camelot, the consortium which operates the National Lottery, said yesterday it would be interested in the possibility of international sales once the launch period was safely over.

Sales in countries of the European Union other than the UK are very unlikely. The European Court recently upheld the right of the UK to prosecute German citizens for selling German lottery tickets in Britain. The court held that lotteries were a matter for national jurisdiction.

Moreover, in the US considerable limits are placed on lottery sales. Tickets cannot, for example, be posted across state boundaries although they can be sent by courier.

UK National Lottery tickets will go on sale next Monday at £1 each.

Imports of coal 'could be reduced'

By Michael Smith

RJB Mining, the company selected by the government as preferred hidder for British Coal's English mines, has told miners that UK coal should be able to displace more than a third of the 17m tonnes of imports annually.

It did not, however, assume displacing any of the coal in making its bid.

Mr Richard Budge, RJB chief executive, says in an interview witb Coal News, the British Coal newspaper for employees, that "our commercial calculations are based on there being no upturn in prices and no upturn in sales".

His comments will fuel the controversy surrounding RJB's bid which, at £900m, ($1,476m) was at least 50 per cent higher than the next highest offer.

Richard Budge: said no mine making a profit would be closed

Rival bidders believe tbere will be considerable contraction in the market. Some doubt whether RJB can make significant profits if it pays as mucb as £900m, and are puzzled that the company believes it can do so without displacing imports.

In the interview Mr Budge says UK coal sbould be able to displace between 6m and 7m tonnes of the 17m imported into the UK every year.

The company is not planning closures in the short term. "We will not close any mine that is making a profit," be said.

Renationalisation ruled ont, Page 10

Company fined for statistics breach

By Peter Norman, Economics Editor

Intrastat, the system for collecting trade statistics among European Union countries, has acquired teeth.

This week magistrates in Southend-on-Sea, Essex, fined Dams International, a furniture dealer based in Liverpool, a total of £11,550 including £900 costs after it pleaded guilty to failing to supply Customs officers with information on goods acquired from and supplied to EU countries.

Dams, which has annnal turnover of abont £12m and exports of £1.5m to the EU, is the first UK company to be prosecuted for failing to supply statistics under the system introduced in January last year to provide trade figures in the European single market.

It is one of 31,000 businesses registered for value added tax with annual EU trade of more than £140,000 that are required to supply data on so-called supplementary declarations.

These forms, which must be sent to Customs within 10 working days of the end of the month, oblige companies to fill in nine boxes on each type of goods traded. They provide 97.5 per cent of the statistics for Intrastat.

Customs and Excise is generally satisfied with the level of compliance of UK companies. Fewer than 200 cases of non-compliant traders are under consideration.

But this case is a sign that the agency is prepared to take recalcitrants to court when all other means of persuasion have failed.

Mr Paul Nelson, Dams' company secretary, said problems with the computer system caused the failure to comply with the Intrastat rules. He was having to work through 2,000 invoices a month to complete the forms and the job was too time-consuming.

Cancer vaccine is about to be tested

By Clive Cookson, Science Editor

A personalised cancer vaccine which uses genetic material cloned from the patient's own tumour cells is to begin a clinical trial this month.

The trial was approved yesterday by the UK Medicines Control Agency. It is the latest example of "gene therapy" – one of the fastest-growing medical research fields – and the first in which a vaccine is tailor-made for each individual.

Scientists from the Cancer Research Campaign and Medical Research Council, working at the MRC Protein Engineering Centre in Cambridge, devised the approach. It is aimed initially at B-cell lymphoma, a relatively rare cancer of the lymph nodes affecting about 2,500 people a year in Britain. It could later be extended to more common cancers.

B-cell lymphoma is especially suitable for treatment with a personal vaccine because the cancer cells have marker proteins – targets for attack by the body's immune system – which vary distinctly between individnals.

The experimental procedure involves removing the marker gene from the patient's lymphoma cells and splicing it into bacteria which make millions of copies of the gene as they multiply in a culture. The genes are cut out of the hacteria with special enzymes, purified and injected into the patient.

The idea, backed by promising results from animal experiments, is that the reintrodnced genes will make relatively large amounts of the cancer marker. This should stimulete the patient's immune system to ettack the cancer cells more effectively than before.

Ten patients et Addenbrooke's Hospital, Cambridge, and the Royal Bournemouth Hospital will take part in the initial trial. If they respond well the trial will be extended.

Eurotunnel chief criticises ferries

Sir Alestair Morton, co-chairman of the Channel tunnel operator Eurotunnel, last nigbt eccused the UK government of failing to impose the same high safety standards on ferry companies as it had on Eurotunnel, our Transport Correspondent writes.

Sir Alastair broke with the tradition that has prevented tbe ferries and the tunnel operator from commenting publicly on eacb other's safety problems in a speech to the Association of Insurance and Risk Managers in Industry and Commerce.

"We object fiercely and with intensity when we observe cost given by the ferries as the reason for failing to remedy what appear to be inherently unsafe ship designs," he said.

"The government made us spend tens, even hundreds of millions of pounds from our own capital – including the vast cost of transverse bulkheeds between every wagon on our shuttles. And yet that government steps beck from burdening the ferries with e few million in essential costs," he said.

The French and British governments had compelled Eurotunnel to prepare a 300-page "safety cese," describing its safety features and procedures. As e result it was 20 times safer than an equivalent stretch of railway, Sir Alastair said.

Other complex industries sucb as nuclear power generation, and aviation bad also to operate by high safety standards. But the ferries had only been required to reach "a very modest and clearly inadequate level of partial safety" under international rules for safety at sea, be added.

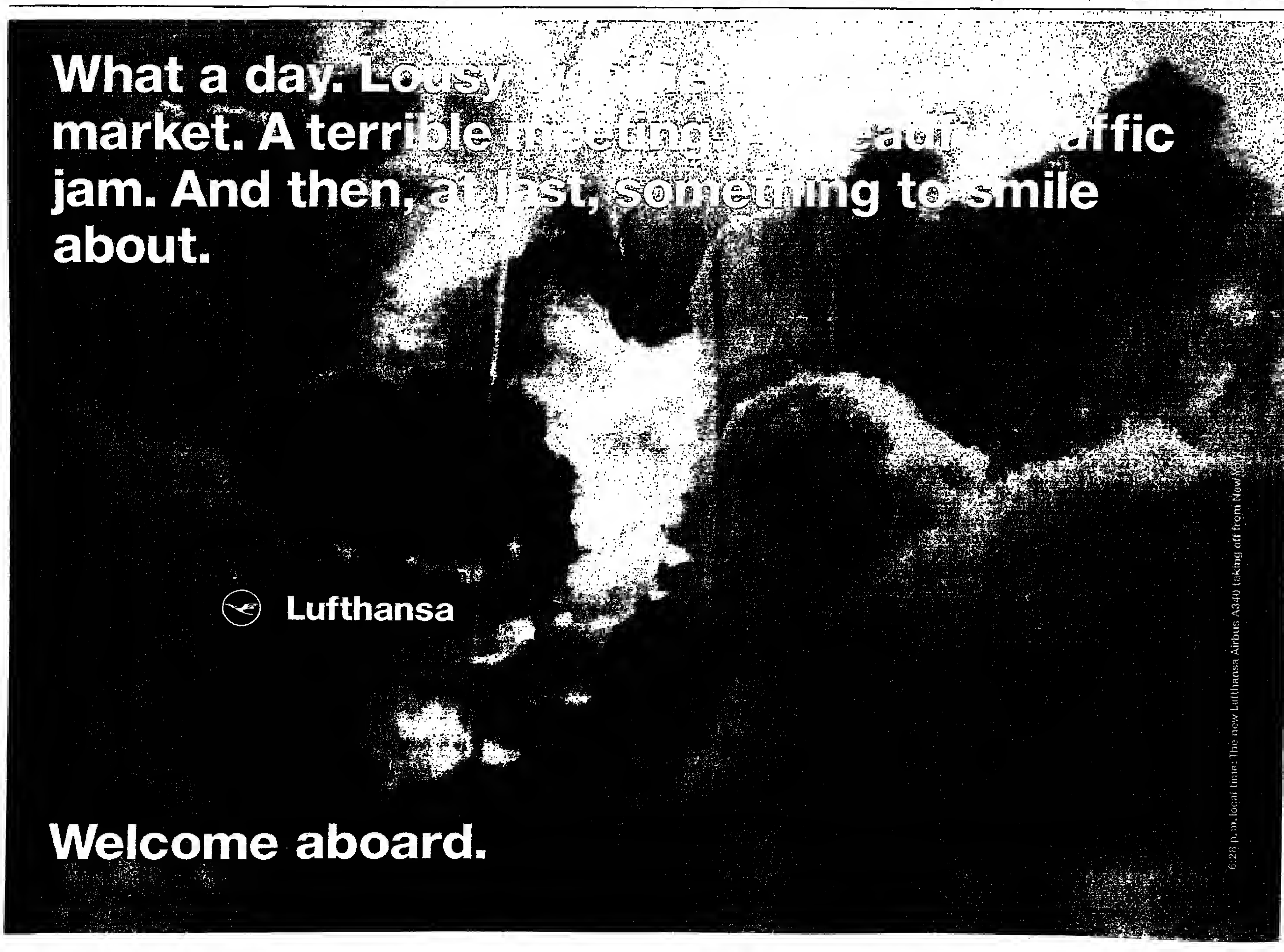
Labour courts industrialists

Mr Tony Blair, leader of the opposition Labour party, yesterday promised business leaders that his party would retain the government's central trade-union reforms, our Political Correspondent writes. He said it would consult industrialists before introducing e minimum wage.

Speaking to senior executives at the Per Cent Club, Mr Blair said: "We are not in the business of sweeping away the trade-union and labour-relations laws of the 1980s."

He said strike ballots, union elections and curbs on mass picketing were "here to stay", and ruled out any return to high marginal tax rates.

His comments coincided with s blunt warning by Mr Roy Hattersley, a former depnty leader of the party, that Labour must consider breaking its links with the trade union movement if it wants to win the next general election. Giving the George Orwell lecture in London, Mr Hattersley said victory was possible only if Labour became a party of ideas rather than vested interests. He said: "It is difficult to pursue truth wherever it may lead if two or three mighty unions, which dominate the policy debate, have decided which way to vote before the discussion begins."



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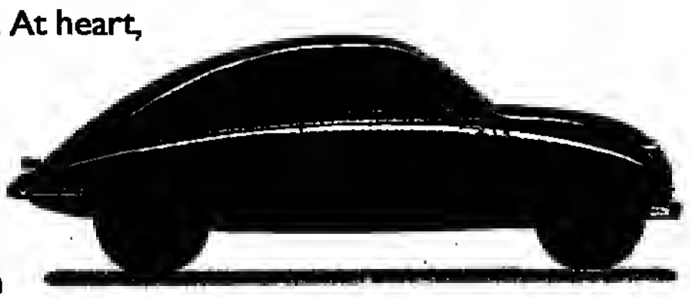
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Minister is determined to limit state financing of public investment

More private funding sought

By Kevin Brown and Philip Coggan in Birmingham

Mr Kenneth Clarke, the chancellor of ther Exchequer, yesterday unveiled plans to bring private finance into the heart of government by forcing its departments to seek outside contributions to funding for all capital spending.

In a clear bid to combat right-wing claims that the government has run out of steam, Mr Clarke told the conference of the Confederation of British Industry in Birmingham that private finance would be "the main source of growth" for public investment projects. However, Mr Clarke's attempt to demonstrate a firm grip on public spending was undermined by the failure of a special 3½-hour cabinet meeting to agree to his plans for a cut of more than £4bn ($6.6bn) in next year's £263bn expenditure control total.

As the cabinet struggled with the details, Mr John Major, the prime minister, was forced into a highly unusual postponement of his weekly audience of the Queen. "He has been delayed," Buckingham palace said. "As and when he is finished, he will come up here." Mr Major's staff in Downing Street said ministers had held a "very productive" debate on the package, which calls for cuts in the transport, social security and higher education budgets.

Ministers said that a handful of outstanding details – thought to centre on cuts in the £8bn housing benefit budget – were expected to be agreed at a second cabinet meeting tomorrow.

Mr Clarke's attempt to pump fresh life into the flagging public finance initiative was given a mixed reception by industrialists.

Mr Clarke published a note setting out progress on the private finance initiative hy 12 government departments, showing that £500m of private capital will have been employed by the end of 1994-95.

"Much more is on the way," he said. "There are to be privately financed prisons, the new Royal Armouries Museum in Leeds is under construction, there will be hundreds of millions of pounds of water and sewerage projects in Scotland and Northern Ireland."

The chancellor told the CBI: "This is just the tip of the iceberg."

Renationalisation of coal ruled out

By Michael Smith

The Labour party does not intend to renationalise the coal industry once it has been privatised, Mr Martin O'Neill, the opposition party's shadow energy minister, said at a meeting of the Coal Industry Society. Hie comments appeared to contradict previous party statements.

Last year's party conference backed a motion seeking to renationalise the industry, which is now being sold off. Mr Robin Cook, former shadow trade secretary, told parliament in March he would be "astonished if our plans to rescue the coal industry did not involve public ownership".

But party leaders have never been comfortable with the policy, particularly since the election of Mr Tony Blair as leader. Mr O'Neill said Labour was not in the business of "making blanket promises to renationalise".

Mr O'Neill said that if any of the companies which are buying British Coal's mines got into difficulties, "government would have to look afresh at the question of ownership. "We will intervene at any time we feel that safety is endangered," he said. Fleshing out the leadership's thoughts on energy, Mr O'Neill said: "We will have to keep at arm's length those who advocate a particular kind of energy – nuclear or gas or coal – because they see it as a job-creation scheme."

The government should demonstrate that it still believes in privatisation, Mr Norman Lamont said yesterday. Mr Lamont was dismissed from the job of chancellor of the Exchequer earlier tbis year.

"There is no point in being in government unless one has an agenda and wishes to achieve something," he wrote in the Daily Mail. "Perhaps we could build on the health service reforms and give more encouragement to private health insurance."

Privatisation: what has been sold so far?

1979 Stake in BP sold
1980 Stakes in Ferranti and ICL sold
1981 Stakes in British Aerospace, Cable & Wireless and British Sugar sold
1982 National Freight Corporation and Amersham International sold; majority stake in Britoil sold
1983 Stakes in Associated British Ports, Cable & Wireless and BP sold
1984 Sale of British Telecom begins; Sealink and rest of Associated British Ports sold
1985 Rest of British Aerospace, Britoil and Cable & Wireless
1986 British Gas and National Bus Company
1987 Royal Ordnance, Leyland Truck and Freight Rover sold; final stake in BP sold. Buyouts of Unipart and Leyland Bus
1988 Rover car group sold
1989 English and Welsh water companies for sale; Jaguar sold
1990 Regional electricity companies for sale
1991 Stakes in National Power and PowerGen on sale; second sala of British Telecommunications shares
1993 Rest of British Telecom sold; rail authority split into state-owned companies ready for privatisation
1994 Sale of 51% of Royal Mail and Parcelforce (Post Office subsidiaries) abandoned

Trains company attacks lease contracts

The companies which will run trains after British Rail is privatised are being forced to sign inflexible contracts with the companies set up to lease them rolling stock, says South West Trains, which runs services from London Waterloo to Southampton and Portsmouth, our Transport Correspondent writes. The company said it was being asked to sign four and eight-year leases when it would like at least some of its fleet to be on one-year leases.

Mr Peter Field, managing director of South West Trains, told a conference on rail privatisation: "If there is a recession, you need to be ahle to escape qulckly [from a long lease]. In the last recession we had to withdraw 20 per cent of our rolling stock."

The long leases mean the rolling stock companies, which are early candidates for privatisation, can forecast their revenues with a greater degree of certainty. But train operators hear most of the risk of a downturn.

The train operators say they are being "bounced" in negotiations with the three rolling-stock companies.

Training levy on employers proposed

By Paul Cheeseright in Birmingham

A union chief told employers yesterday that industrial companies will have to be made to pay a training levy if the UK is to overcome the problems of baving the least skilled workforce in Europe. Mr Bill Jordan, president of the Amalgamated Engineerng and Electrical Union was speaking at the annual conference of the Confederation of British Industry, the country's biggest employers' organisation.

He said the volnntary approach to training had failed. "If the CBI is serious abont wanting a strategy to deliver skills for the next century, we sbonld not be debating whether to have a training levy but tailoring the shape of one," Mr Jordan said.

He said budgets "to improve skills" had been cut by 35 per cent in the past five years. It was "dangerously complacent" to praise Britain's best companies when the nation was lagging behind on productivity by np to 40 per cent compared with rivals elsewhere.

The CBI responded cantionsly to the idea of a training levy. Mr Dominic Cadbury, chairman of Cadhury Schweppes and the CBI's ednecation committee, said: "The CBI has not supported the concept in the past, but we will be asking our members to express their views and we will be consulting all members via the regional councils."

Some CBI delegates criticlsed Mr Jordan's argument. Mr John Phillips, chairman of Reliance-Barker-Davies, engineers, dismissed the idea of a levy as "simply an additional payroll tax" and "a pure addition to costs, a deterrent to employment".

Earlier, Mr David Simon, chief executive of BP, had warned that even well-trained employees faced uncertainty, and that jobs for life were unlikely. "I think most of us recognise that such a prospect is no longer wholly appropriate," he suggested.

UK NEWS DIGEST

Truce in war of babies' bottoms

Forget soap wars. The latest battle is for babies' bottoms, as Pampers disposable nappies slug it out with rival brand Huggies, and both sides complain about their opponent's dirty tactics. Procter & Gamble, which makes Pampers, complained to the Advertising Standards Authority, the advertising watchdog, about magazine advertisements from Huggies manufacturer, Kimberly-Clark. The advertisements cleimed Huggies were "significantly thinner than the leading nappy, yet incredibly, they keep your baby just as dry". P&G, which said the "leading nappy" reference was clearly to their brand, Pampers, complained that the Kimberly-Clark claims were false. Kimberly-Clark replied by sending both in-house and external laboratory research to the ASA in support of its advertisements.

Kimberly-Clark submitted its own complaint to the ASA about P&G's advertising, objecting to the wording of magazine and direct-mail ads. These read: "The driest nappy ever for the driest, happiest babies". Again, both sides submitted research findings on performance of the nappies.

Both were sent away by the ASA to see if they could agree a "mntually acceptable testing procedure in order that such disputes could be resolved satisfactorily in future". In the meantime, both parties were told by the authority not to claim "anything more than an equal best ability to keep babies dry".

● Calvin Klein Cosmetics was condemned by the ASA for the way it used model Kate Moss in a magazine advertisement for its fragrance, Obsession for Men. The authority said the model's naked pose, together with her "child-like form" and the brand name of the product, were "inappropriate and irresponsible".

Spending on adverts rises sharply

Spending on advertising in all the main media sectors increased during the second quarter of 1994 with particularly strong increases in spending on radio and posters, according to figures released today by the Advertising Association. The figures show the continued recovery of the advertising business from recession, said the association, which is a federation of advertising trade associations and professional bodies.

Advertisers spent, in current prices, a total of £1.2bn ($1.96bn) on press advertising in the second quarter of this year compared with £1.1bn in the second quarter of 1993. Television advertising spending increased from £564m in the second quarter of 1993 to £624m in 1994; posters from £80m to £94m; and radio increased from £43m to £51m. Advertising spending on colour supplements is the only area to show a decline – in constant prices, an almost 12 per cent drop.

Two men are jailed for murdering a stranger

Two 19-year-old men were sentenced to life imprisonment in London yesterday for murdering a complete stranger in what was described at the Central Criminal Court as "the ultimate dare". Judge Neil Denison, the Common Serjeant of London, told James Petrolini and Richard Elsey: "Yon created a world in which you were both playing out your fantasias. It started with relatively harmless pranks and progressed to criminal offences and it developed into an obsession with killing and death.

"That led to the brutal and senseless slaughter of a complete stranger who just happened to be in the wrong place at the wrong time." The court heard that both men craved the lifestyle and image of the British army's elite Special Air Service. After "training missions" which included impersonating policemen and stealing from hotels, they decided to kill. They jumped into a passing car as it paused at a traffic sign. The driver, Egyptian born Mohamed el-Sayed, a 44-year-old chef, was killed in his car with a commando dagger.

Tighter rules urged for fish factory ships

Stricter lifeboat controls were urged yesterday for east European factory ships operating off the Shetland Islands to the north of Scotland. A woman died when the Estonian-registered Vagula struck some rocks on Monday night.

Mr Frank Duffin, district chief surveyor for the Marine Safety Agency, said all 87 fish factory ships now working off the Shetlands were to be sent a list of lifeboat recommendations including the use of all-round lighting, emergency flares and hand-held radios.

Whisky exemption

Scotch whisky producers have been offered a five-year exemption from new EU safety rules which they claim could alter the whole character and taste of the spirit maturing in the cask.

Proposed Euro-controls on the transport of flammable goods would make the maximum size consignment of hazardous liquids carried by road or rail 250 litres – a ruling which would affect a third of the 18m casks of whisky currently stored in warehouses in Scotland.

But the exemption was rejected as nonsense by the Scotch Whisky Association last night: "Five years is nothing in an industry which is 500 years old this year," said a spokesman.

Queen's piper chosen

Army warrant officer Gordon Webster has been appointed the ninth Queen's Piper since the post was created by Queen Victoria in 1843. He will succeed Pipe Major Brian MacRae, a former Gordon Highlander, who is retiring after 15 years. His job is to play the bagpipes for 20 minutes each morning at whatever royal residence is occupied by the Queen.

Some companies say they're joining forces to make international network communications simple.

هكذا من الأصل

MANAGEMENT

University challenge at De Montfort

John Authers looks at issues forcing departments to think in terms of cost-efficiency and rapid expansion

Public services management

De Montfort University in *Leicester* has a grand vision. Its aim is to be "internationally competitive" and "everywhere excellent". Bold words from an institution known as Leicester Polytechnic until two years ago.

But De Montfort is well on the way to *making* a *reality of this* vision. It is western Europe's fastest growing university, according to the World Bank, and sttracts investment from both the UK government and the private sector for projects such as its new, massive and imaginatively designed engineering faculty building.


Alistair Langham
Mike Brown: calls for academic aspirations to meet resource reality

The university is also making a new role for itself in local communities. Kenneth Barker, vice-chancellor, believes that higher education "has been too busy chasing Nobel Prizes instead of giving industry and the community the service they really need".

This breezy attitude to the opportunities created by higher education expansion has manifested itself in a sheaf of plans to boost recruitment. De Montfort's marketing department has extended for a second year the most expensive university advertising campaign mounted in the UK.

Innovations to course structure are also planned to chisel away lingering perceptions of De Montfort as a former polytechnic. Mike Brown, an executive pro-vice-chancellor and one of tha key managers in tha university's expansion, has held discussions with independent *schools about allowing pupils* to start a De Montfort degree course in their last year at school.

The university's cause will also be helped by serving industry as directly as possible. A limited company, Leicester Expertise, now markets the university's know-how to companies, and has helped funnel consultancy fees to the university's technical specialists.

All this institutional change has been managed during rapid expansion. In 1987, 8,000 students were on Leicester Polytechnic's roll; in the current academic year that figure is nearer 18,000 while new campuses in Lincoln and Bedford will bring numbers up to 25,000 this year. Managing change on this scale is not easy.

The main elements in De Montfort's strategy, according to Brown, are an innovative executive structure modelled on private-sector companies, and an approach to cost control that makes individual departments directly responsible for both costs and revenue.

Beneath the board of governors, which includes Howard Davies, director-general of the Confederation of British Industry, is a vice-chancellor who doubles with the role of "chief executive", and then four executive pro-vice-chancellors, inclnding Brown, whose *jobs are chiefly managerial.*

Below them come "cost centres", which inclnde both support services, such as those for accommodation and catering, and academic cost centres. These include the university's "schools" – applied sciences, arts and humanities, built environment, business, combined studies, computing studies, design and manufacture, engineering and manufacture, health and community studies, and law.

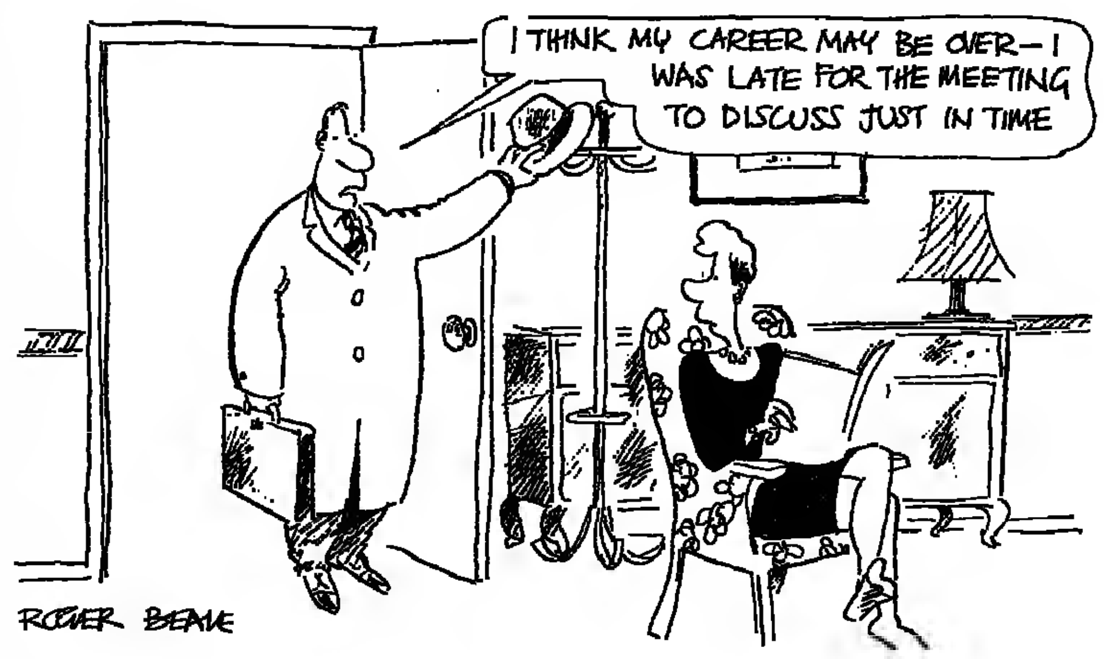
These cost centres are "the first point where academic aspirations meet resource reality", Brown says. "The philosophy was to have the academic and the resources units coinciding, headed by someone who was an eminent academic with the ability to manage."

Each school was required to set targets for the next five years, in the form of a series of performance indicators. Brown ensured they were aware of their costs and the attributed income they brought in each year – including government tuition fees, government and corporate research funding.

He also mada it "quite clear" to the schools that if they could not justify their existence in financial terms they would be shut.

In fact, several schools have seen a sharp increase in the effective profits they have generated – in *one case exceeding £1m. This was* not the victory of commercial incentives over academic freedom: De Montfort's growth strategy allowed for the possibility that some departments might deserve a cross-subsidy, to help nurture the standing of tha entire institution.

Brown's contribution was to establish a mechanism that made the cross-subsidies transparent, and forced academics to think in terms of cost-efficiency. Without this discipline, De Montfort's sharp expansion would almost certainly not have been possible.



Doing justice to just in time

Success with this controversial philosophy depends on the manufacturing process, writes **Carlos Cordon**

For almost a decade, just in time (Jit), a manufacturing management philosophy and practice developed and very successfully applied by Toyota, *has been enthusiastically embraced* by many managers and academics in the west. Papers with titles such as 'What is your excuse not to use just in time?' preached its virtues without reservation.

Now, critics are questioning its impact on profitability. An article in this newspaper on August 10 cited a study published by the University of Cambridge which concluded that a higher use of Jit was associated with lower operating profit margins for UK companies.

Should we infer that these techniques work in Japan but not in the UK (or other parts of Europe)? Or, is it unrealistic to expect profit margins to improve automatically by applying these Japanese practices?

The Cambridge study has initiated a healthy debate about this management philosophy without, however, answering the above questions. To do this, it is critical to consider the degree of applicability of Jit to different companies and how it has been implemented.

Our research at the International Institute for Management Development shows that the actual application of Jit varies very much from industry to industry. In the automotive industry, almost all European car manufacturers have adopted these techniques, while in the pharmaceutical field only a few companies are starting to use them.

Given that the last recession has affected some industries *more* than others, it is probable that the lower profitability found in the Cambridge study has much to do with the industry in which companies compete, rather than with the application *of any particular technique.*

While advocates of these techniques argue that its principles are universal, the reality is that Jit does not have a dramatic impact on certain types of production process. For example, one of the objectives of Jit techniques is to transform the factory so that a continuous flow in materials is achieved, resulting in lower work-in-process inventory *levels and shorter production lead* times.

Its application to many electronic manufacturers has resulted in significant benefits because these companies used to operate with high work-in-process inventory levels and long lead times. By comparison, many chemical companies have always had continuous production processes and relatively low inventory levels because the high volumes they manufacture do not allow them to do otherwise. Therefore, in this type of business, the application of Jit does not make the same impact on the production process as it does in electronic companies. To expect improvements of similar proportions is therefore unrealistic.

At the opposite extreme of the manufacturing spectrum there are companies making non-repetitive products to customer specifications, sucb as special machine tools or large alectric motors. These companies usually apply Jit only in the most repetitive part of the factory, where it is possible to achieve a continuous flow. After such application these factories are, quite often, *effectively divided in two parts:* the Jit part, where there is a quasi-continuous flow of materials, and the traditional job shop where the less repetitive operations are made.

The introduction of Jit will usually not significantly affect profitability, because only a fraction of the operations change. Furthermore, an unexpected consequence is that some of these companies making customised products, embrace Jit too enthusiastically and decide to drop or to out-source the products or processes that do not fit in the new system. Thus, products whose manufacturing process fell out of this new quasi-continuous process are abandoned because they are no longer a "core" product.

While these decisions may be sound in some cases, in others they could imply reduced volume and lower profitability. Even if Jit improves the factory operetions, this practice implies a radical change in the "factory culture"; thus, its implementation requires many resources and a high dedication from top management. This represents an opportunity cost that should not be underestimated.

For *instance,* if a *company* wants to become a Jit supplier it is likely that customers will demand the supplier has a quality certification, so that products need not be tested for quality when received and an almost continuous flow of products between supplier and customer is achieved.

However, some companies complain that they were too busy obtaining the certification to dedicate any effort to actually improving quality. In some of these cases, it is not clear whether the benefits outweigh the implementation costs and opportunity costs of management distraction.

Lastly, to expect superior financial profits by just applying Jit could even be absurd in some cases. In an industry where all the competitors adopt Jit, it becomes a necessary but a not sufficient condition for comparative advantage.

If a company in such an industry does not apply this technique it could be forced out of business. In other cases, companies facing serious problems have tried to apply Jit as a last resort. While in some cases this has saved the company, in others the companies have gone bankrupt and have given birth to the circulation of Jit horror stories.

Jit is neither a manufacturing panacea nor the manufacturing equivalent of alchemy. The profitability of a Jit application depends strongly on the company and the type of manufacturing process rather than on the UK culture being different from the Japanese.

The author is professor of manufacturing management at the International Institute for Management Development, Lausanne, Switzerland.

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BUSINESS AND THE ENVIRONMENT

EU's electronic mountain

Negotiations on the best fate for discarded equipment in Europe are growing more urgent, writes **Geoff Nairn**

Europe's electronics and electrical industries are about to meet environmentalists and European Commission officials to renew efforts to find a solution to the growing mountain of end-of-life products that the two industries produce.

Electronic waste comprises everything from old computers, photocopiers and stereos to telephones, cables and light bulbs. The range of products and diversity of interests – more than 60 representatives will meet in Rome – have hampered negotiations, and the group's aim to deliver a document detailing practical solutions and regulatory proposals by next July looks increasingly ambitious.

For Brussels, this latest meeting of the Rome project group on "electronic waste", one of the "priority waste streams" identified by the Commission as requiring specific action, has a particular urgency if it is to head off unilateral action by EU member states frustrated by the lack of progress so far.

German manufacturers fear that the German ministry of environment may not wait and will push through laws next year that would compel them to take back a broad range of electronic waste and meet specific recycling targets. Manufacturers could charge to recycle equipment already on the market, but would have to take back their future products free of charge.

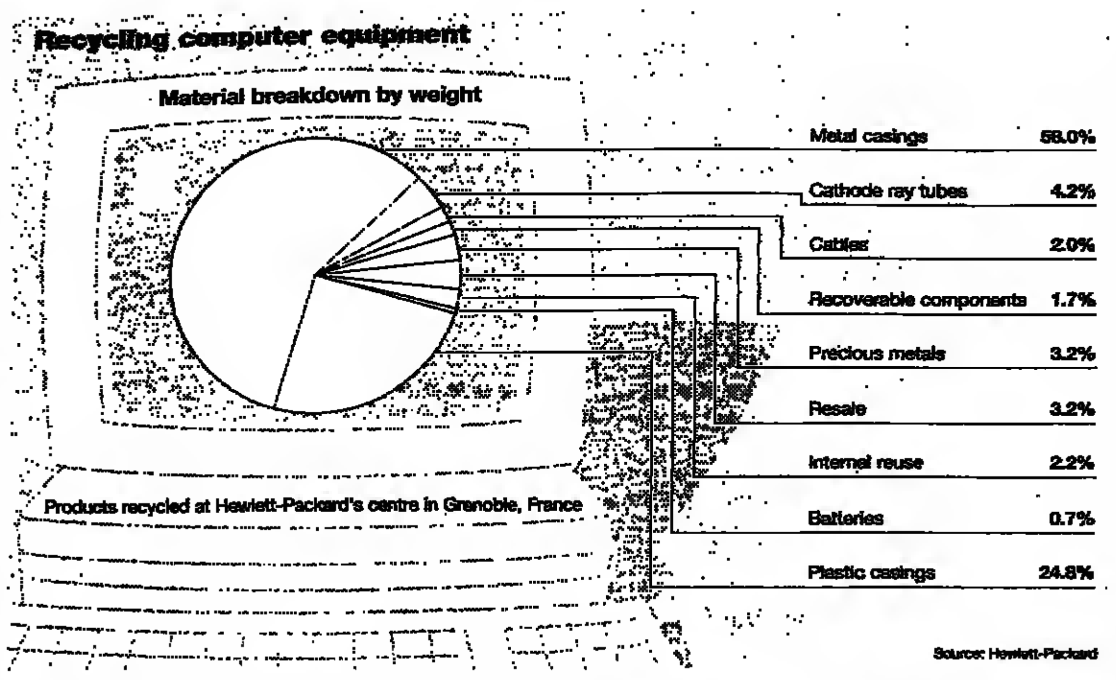
"The model proposed by the ministry entails huge problems," says Bernhard Diegner, project group representative for ZVEI, a German electronics manufacturers association, which claims that such a policy could add between 5 per cent and 15 per cent to the price of electronics goods sold in Germany.

The annual cost of a Europe-wide end-of-life scheme for consumer electronics could be around Ecu2.25bn (£1.77bn), according to the European Association of Consumer Electronics Manufacturers.

ZVEI wants take-back schemes to be generally voluntary, with manufacturers obliged to take back only bulky own-brand products. Environmentalists counter that voluntary schemes do not work and cite battery recycling programmes, where collection rates remain low – between 15 and 40 per cent – even when collection is free.

A take-back bill for electrical and electronics goods was presented in the last Italian parliament in 1993 and could soon be presented again.

Denmark, France and Austria are among the European countries currently considering specific legislation for electronic waste. Manufacturers now fear a patchwork of conflicting, national schemes that will add substantially to their costs and distort competition by sucking in cheaper imports from EU or non-EU countries with less stringent rules.



Their worst nightmare is a repeat of Germany's Duales System Deutschland compulsory packaging recycling scheme, which produced more used paper and plastic than German recyclers could handle.

The manufacturers say that electronic waste in quantitative terms is less of a problem than in other sectors. In France, for example, it amounts to 1.3m tonnes each year, against 20m tonnes of household rubbish and 150m tonnes of commercial and industrial waste.

However, much electronic waste is difficult to recycle, the quantity is growing – new products now entering the market in France amount to 2.1m tonnes a year, for instance – and environmental credentials have become important selling points for manufacturers.

"The market is very conscious of the ecological image and contents of products," says Bruno Mapelli, environmental director for IBM's southern European operations.

According to a recent survey by the German environmental organisation Bund (Bund fur Umwelt and Naturschntz Deutschland), most PC manufacturera now use recycled plastics, have banned CFCs and solvent-based paints, use snap-together construction (for easier dismantling), mark new plastic parts for recycling and reuse old components for repairs. Four have free take-back schemes operational in Germany: Vobis, Apple, Actebis and Acer.

Several manufacturers in Europe are acting in advance of take-back laws

While manufacturers stress how environmentally-friendly current models are, they are less enthusiastic about taking back products now reaching the ends of their lives, since they were never designed to be recycled.

To disassemble an old computer can take one and three-quarter hours, says Helmut Finchk, head of Hewlett-Packard's three-year-old recycling programme in Germany. To cover its costs, HP Germany charges DM10 (£4) for each returned unit; for monitors, where the lead and other metals in the cathode ray tube causes particular recycling problems, the charge is DM25. The products must be predominantly HP ones and the customer pays for transport.

HP's European subsidiaries currently send unwanted equipment to a specialist recycling centre, Hardware Recycling Europe, in Grenoble, France. Less than 5 per cent of the 100 tonnes that arrive each month goes for land-fill; four years ago, the figure was more than 30 per cent, but HP can now separate and recycle nearly all materials.

Disc drives are reused as spares, circuit boards are refined to recover precious metals, plastic is stripped from copper cables, old microprocessors and memory chips end up in electronic toys, high-grade plastics are recycled, low-grade mixed plastics are burnt in a nearby cement kiln for their energy content.

The recovered copper, precious metals and components are sold to help pay for the costly treatments of batteries, cathode ray tubes and mixed plastic.

"Today we break even, but it all depends on the volumes handled and we still do not know whether a large-scale schems would be economically viable," says Denise Furet, environmental project manager for Hardware Recycling Europe.

The costs of transporting end-of-life products to Grenoble from other countries have prompted HP to set up similar recycling plants in the UK and, soon, Germany, but ultimately the company would like to contract out recycling, as it is not seen as a core activity.

Several manufacturers in Europe are acting in advance of take-back laws. At the beginning of this year, for example, Deutsche Telekom formed a consortium with equipment manufacturers Siemens and Alcatel SEL to recycle a planned 12,000 tonnes of telephones, facsimile machines and other equipment this year. In Italy, IBM sent 4,500 tonnes of end-of-life equipment for recycling in 1993, with a recycling ratio of more than 90 per cent. Digital Equipment operates a similar scheme in the Netherlands.

However, left to market forces, it seems unlikely that electronic waste recycling can be extended throughout Europe. Specialist recyclers are rare in many countries and spot prices for recycled materials are volatile. White goods and consumer electronics contain little valuable material. For other products, the time and effort required to dismantle, separate and identify the different materials can make recycling uneconomic.

DST Logistica, the recycling subsidiary for IBM in Italy, has tested specialised X-ray and infra-red equipment to sort recovered plastics into more than 30 recyclable classes, but not all recyclers can justify such investments.

Ferruccio Mori, chairman of DST Logistica, identifies a more general problem: "It costs L50-L60 [a few pence] a kilo to dump in Italy. If land-fill were to rise to L1,000 a kilo the economics [of recycling] would change," he says.

Maria Almeida-Teixeira, the Commission's co-ordinator for the electronic waste group, set up nearly a year ago, admits that progress has been slow, but believes that with two further meetings next year there is still time to achieve a broad consensus. However, "it is too early to say what will come out."

Time running out in Bulgaria

Tough choices on power must be made, writes **Jane Martinson**

Faced with heavy dependence on nuclear power to serve growing energy demands, the Bulgarian government is urgently looking for a way out of a dilemma.

Last week a report outlining options for Bulgaria's energy sector was presented to the Bulgarian authorities and to the safety regulator's office by Energoproekt, a Bulgarian institute. No decision is likely until a new parliament is in place next year, but the government is under pressure from safety organisations to act as soon as possible.

Three years ago, the nuclear power plant at Kozlodny on the Danube, which supplies up to 45 per cent of Bulgaria's power, was dubbed the most dangerous in the world by the International Atomic Energy Agency. The two oldest units, Russian-designed 440MW WWER pressurised water reactors built in 1974 and 1975, were closed for two years for repairs, and work on a second plant on the Danube at Belene was stopped.

The government says it has spent some Lv550m (£55m) on safety improvements at Kozloduy since then. The European Commission and the European Bank for Reconstruction and Development have committed £58m for further work.

The £19m being managed by the EBRD is intended to facilitate the earliest possible closure of the four 440MW WWER reactors at Kozloduy. The EBRD recognises that alternative energy sources must be found before the units could close, but the pressure in on Bulgaria to find a safe, reliable and affordable alternative.

The Energoproekt report sets out options ranging from closing the plant immediately, which has little support in Bulgaria, to allowing Kozloduy to work at full capacity until the oldest reactors reach the end of their design life.

Ivan Ivanov, deputy manager of the plant, believes the oldest units could last until 2006.

Although a great deal of safety work has been carried ont, there are still concerns among western safety organisations. There are worries over weaknesses in the design of the 440MW units, including the embrittlement of the pressure vessels and an absence of containment for primary pipe ruptures

The lack of storage for spent fuel at the plant is also causing concern. Russia, which supplies the uranium, used to reprocess Bulgaria's spent fuel at a nominal fee, but now charges $1,000 per kilogramme of heavy metal. The Bulgarians cannot pay this and wet storage tanks at the plant are nearly full.

Prof Ivan Uzanov, at the department of nuclear physics at Sofia University, is particularly concerned about storage facilities for the 600 tonnes of spent fuel in an area prone to seismic activity. "If a catastrophic earthquake leaves this spent fuel without cooling water, it is easy to calculate that the emitted activity could be four times more than from Chernobyl," he says.

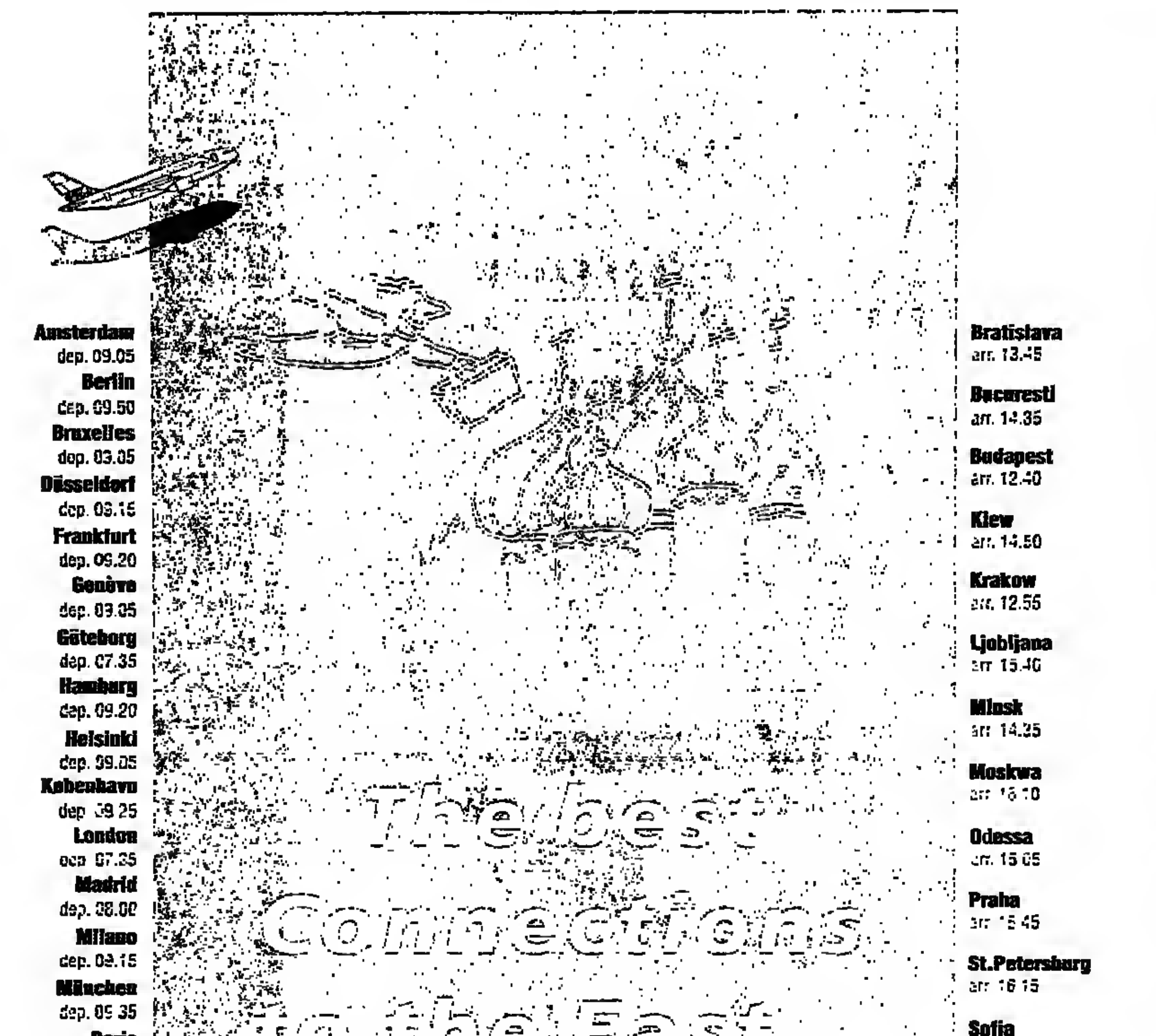
Nikita Shervashidze, president of the government's energy committee, says several western companies have tendered for a contract to build new storage facilities, but there will be no decision until the end of the year.

Yanko Yanev, Bulgaria's atomic safety regulator, says a "medium" option of closing units one and two, perhaps as soon as 1996, and devoting more resources to thermal-powered plants, might be the best. He believes that coal-powered plants can be made economic, but that Bulgaria will need help from western agencies, such as the World Bank.

Steps are also being taken to find funding for the completion of two 1,000MW WWER reactors at Belene. When these are finished, says Shervashidze, two Kozloduy units can be closed.

The Bulgarians are in talks with Russian and Turkish private investors about funding the plant's completion, which would take up to 10 years.

Energy consumption in Bulgaria increased by 3 per cent between 1993 and 1994, against all predictions. Such figures suggest that the time for decisions on an alternative to Kozloduy may be running out.



PEOPLE

Wellman recruits out of the furnace

Wellman, the specialist engineering group, announced five senior appointments yesterday as part of a reorganisation following the £46m acquisition of three businesses from FKI, the electrical engineering and components concern.

Two external appointments have been made. Andrew Carnegie takes over as md of Wellman Robey, which makes industrial boilers and pressure vessels. He was formerly md of s competitor, NEI Cochran. Don Lupton has been appointed operations director of Wellman Furnaces. He too was previously at s competitor, Davy Priest Furnaces.

Three internal promotions to md have also been announced – Alan Phillips at the Wellman Data Recording Group, Craig Pilkington at Wellman Garage Equipment, and Jim Wright at Wellman Service Group.

Carnegie has replaced Ken Homans, who is retiring, but the other posts are new. They are the first stage in a planned post-takeover reorganisation at West Midlands-based Wellman, says chief executive Alan Baxter.

Baxter was a former main board director at FKI, joined Wellman last November, and first approached FKI with the acquisition proposal. The deal was completed in August, and has increased Wellman's annual turnover from £25m to about £125m.

■ At Spirax-Sarco Engineering, the Cheltenham-based steam equipment specialist, Chris Tappin has retired as executive chairman but will remain part-time chairman. Tim Fortune, who was named managing director in 1992, became chief executive on November 1.

Tappin, 57, said the change was "one little click further in our succession planning". Tappin joined Spirax-Sarco in 1964 and was appointed to the board two years later. From 1988 to 1992 be was chairman and chief executive. *Andrew Baxter*

■ Andrew Williams has been appointed manufacturing director at Reten Acoustics. Martyn Pitman has been sppointed md of Analytical Development, and Tony Reynolds, formerly finance director of The Expanded Metal Company, has been appointed to the same post at Elfab. Philip Bell has been appointed md and Kevin Breen vice-chairman, of MXS, and Rob Holditch promoted to sales director of Memco; all companies are subsidiaries of HALMA GROUP.

■ Chris Hortoo, formerly assistant secretary at Hepworth, has been appointed group secretary of LEIGH INTERESTS on the retirement of Derrick Armstrong.

■ Kevin Day has been promoted to the board of KDNIKA UK as director, sales and marketing.

Biffa's Bettington floats up at Severn Trent

Severn Trent yesterday reaffirmed its commitment to the waste management business, Biffa, with the appointment of two new executive directors to its board.

Brian Duckworth, 45, and Martin Bettington, 42, are joining the board in advance of the retirements next year of Roderick Paul, chief executive, and Michael Upstone, former director of customer service. Paul and Upstone are both retiring at the age of 60.

Bettington, managing director of Severn Trent'a waste management business, joined the company in 1991 when it bought Biffa from BET for £212m.

Severn Trent said yesterday that Bettington's appointment signalled the company's "commitment to developing the waste side of the business through Biffa".

The appointment was seen by analysts in London as Severn Trent's attempt to dampen speculation that it was considering selling the waste business. Severn Trent has been criticised in the past for locking itself into onerous financing for Biffa.

Duckworth is strongly linked with the regulated utility side of Severn Trent, and led the price negotiations with the industry regulator in the last review. He was recently appointed customer services director. *Peggy Hollinger*

Finance moves

Geoff Henry, 50, is to be the next chief executive of the Merchant Navy Officers Pension Fund. He takes over from Tony Ashmore, 57, who retires at the end of the year after ten years at the helm of the £2bn fund.

The MNOPF is one of the largest industry-wide pension schemes although the decline in Britain's merchant navy means that the number of contributing members has fallen from around 40,000 in the 1950s to just 6,000. However, the fund services 17,000 pensioners and also has another 33,000 deferred members.

Henry, who used to work for British Shipbuilders pension fund, has been the MNOPF's director of finance for the past nine years and managing director of its pensions administrations subsidiary for the past four years. *William Hall*

■ Tony Haire has been promoted to md of CATER ALLEN Bank (Jersey). Ronny Maitl has been appointed to the board of Sheppards Moneybrokers, part of Cater Allen Group.

■ Chris Cottrell, chief executive of Fleming Luxembourg, has been given responsibility for SAVE & PROSPER Broker Services and joins the main board.

■ Bill Brown has been appointed a director of BARONSMEAD.

■ John Sharman, formerly a director of Allied Dunbar Asset Management, has been appointed head of global fixed interest at HENDERSON INVESTMENT MANAGEMENT.

■ Alan Smith has been promoted to md of The BANK OF BERMUDA (Isle of Man).

Non-executive directors

■ Sir Clive Whitmore (above), retired permanent under-secretary of state at the Home Office, at RACAL ELECTRONICS.

■ Charles Nunneley, chairman of IMRO and deputy chairman of Robert Fleming Holdings, at NATIONWIDE BUILDING SOCIETY; Sheila Heywood is retiring.

■ Peter Hedges has resigned as chairman of WARD HOLDINGS.

■ Angus Clark, a director of J. Sainsbury and this year's president of the Freight Transport Association, at AAH.

■ Bob Simm, former UK chairman and senior partner of KPMG Management Consulting, at LAMP DEVELOPMENT MANAGEMENT.

■ Chris Duckworth, former finance director, at VEGA GROUP.

■ Roger Leverton, group chief executive of Pilkington, at SMITHS INDUSTRIES.

■ Peter Morgan, former director general of the Institute of Directors, at ZERGO.

■ David Langridge at The WOODGATE FARM DAIRY.

■ Fred Crawley, chairman of Girobank and the Alliance and Leicester Building Society, as chairman of the LEGAL & GENERAL Recovery Investment Trust.

■ John Forrest (below), deputy chairman of NTL, at ATS TECHNIRENT.

ARTS

Television/**Christopher Dunkley**

A dramatic lack of originality

They had a full house at the Everyman Theatre, Cheltenham, on Sunday, not for an early panto but for a tribnte to a television playwright: a local boy, the late Dennis Potter. There were readings and video extracts from hfs work, from *Stand Up Nigel Barton* (1965) to *Lipstick On Your Collar* (1993), and then a debate on the question of whether new and challenging writing could find a place in television drama during the 1990s. It is a subject on which Potter was characteristically vituperative, claiming that there was an occupying power in our society, threatening our personal sovereignty, a power sustained most subtly through the broadcasting media. He was pessimistic about the idea of anybody setting out in the 1990s as he had in the 1960s to get his voice heard via television drama.

So what is the state of television drama in Britain today? Judging from what could bs seen last week there is far greater freedom now than there was 30 years ago to show, say, sexually explicit material, one of several "difficult" areas with which Potter was particularly identified. The Spanish film *Lovers*, shown hy Channel 4, about a young man seduced by his landlady, an older bnt decidedly attractive woman, contained remarkably vivid erotic scenes. Dropping a silk scarf onto her young lover's naked backside the woman murmurs "Put it in", promptly adds "No, you're so clumsy, I will" and does. Then the camera pans down to mattress level to show her whipping it out again at the moment of climax. There was more : no hints, no trains rushing into tunnels, but the sort of explicit material which, even 10 years ago, would have heen available only in stag movies. It made the much-protested bonking scene in Potter's *The Singing Detective* look genteel. Of course a late night movie is not what we generally mean by "television drama", yet it is drama on television, and what is in movies today will be in television'a own material tomorrow. I am not aware of any protest about *Lovers*.

Of course you would not find such material on ITV. There the most drastic changes following the last lot of broadcasting legislation have been not in journalism, as some of us feared, but in drama. ITV is now using drama like extruded plastic building blocks: 55-minute series about firemen, soldiers, doctors and policemen are being spat out for the 9 o'clock slot as though by antomata and used to build the ratings edifice. *Cracker* is the high quality end of this phenomenon, a special-edition, hand-finished example which is well worth watching: Robbie Coltrane is on top form as the intolerable yet fascinating Fitz in the current story about a girl in the clutches of religious loonies.

Revelations, the late night ITV soap, looked at first as though it might break some new ground. However, time is proving that even though we have a bonking bishop, with a nymphomaniac schoolgirl daughter, a drug addicted son, and a wife who personally administers the son's methadone injections, it has none of that chutzpah with which *Dallas* captured so many viewers. Ninety per cent of ITV drama today is forgettable the instant it finishes, and the idea of ITV – the channel which, during Potter's career, took us from *Armchair Theatre* to *Jewel In The Crown* via *The Naked Civil Servant* – even bothering to consider the work of a new young non-conformist iconoclast like Potter nowadays is laughable.

And the BBC? Far more difficult to summarise. Pessimists will note that Peter Ransley, who in 1981 gave us the deeply felt and unforgettable account of 19th century rural life in *Bread Or Blood*, is now giving us the 1940s saga *Seaforth* which is highly professional but looks as though it was made for that 9 o'clock slot on ITV. There was a striking science fiction drama in *The X-Files* on BBC2 last Thursday about a killer-building driven by artificial intelligence: the washroom dunnit (killed the unsympathetic boss). It was not only entertaining but thoughtful, yet no more so than many episodes of *The Twilight Zone*, and *The X-Files* is another American import.

In the area where it is so often urged to put its main drama effort, the classic repertory of Shakespeare and Dickens, tbe BBC has looked pretty impressive in the past week. True, there were infelicities in *Measure For Measure*, for example in the scene – so heavily trailed – where the director had Angelo drag Isabella across the floor and fling her on the sofa. He says "Redeem thy brother by yielding up thy body to my will", but scarcely in the heat of passion since he adds "Answer me tomorrow". So much for the dragging and flinging inserted by the director. This production was, however, bent to television's purposes pretty successfully and, considering how odd the scala of values seems to many of us today (particularly death before loss of virginity) a difficult play was made impressively accessible.

Better still is *Martin Chuzzlewit*. As with the Shakespeare, this is not one of the author's easiest texts, but the opening episode of David Lodge's dramatisation took us straight into tha essentials and established many of the key elements – Pecksniff's humbug, his daughter's alliance of offence and defence, Tom Pinch's naivety – astonishingly fast. When backbench Tory MPs call on the BBC to stick to its last and keep delivering those programmes which cannot make a nice profit for commercial broadcasters, it is doubtless the likes of *Martin Chuzzlewit* that they are thinking of. This is cosy winter television of a deeply comforting sort; watching it is like pulling a rug round your shoulders and sipping a whisky-mac.

Which was never the purpose of Dennis Potter. In the week before *The Singing Detective* began in 1986, this page carried the most enthusiastic review I have ever written, including: "If all this sounds complicated, so it is – but in a wonderfully entertaining way. Here we have not some old novel adapted for television but an original work created specifically for the electronic medium, by a master craftsman who has served a long and productive apprenticeship. Today Potter uses television with the familiarity and assurance that Dickens brought to the writing of novels."

We now know that we are to receive Potter's legacy next year: two drama serials, *Karaoke* and *Cold Lazarus*, the first produced by the BBC with repeats on Channel 4, and the second produced by Channel 4 with repeats on the BBC. So there are still two of Britain's four terrestrial networks which will finance and screen his work. But long before he died Potter had won himself a very special position in British television, and there was never much chance of these being turned down. Going back to Potter's owo doubts, the question is: what would be the reaction if someone came aloog now whose work seemed as different and difficult as Potter's was by the standards of his day? Despite the presence of Michael Grade from Channel 4 and Alan Yentob, Controller of BBC1, on the stage of the Everyman, and their co-operation over the legacy serials, there must be great doubt whether the work of such a person would make it to the screen given the new ethos in British broadcasting.

Theatre/**Alastair Macaulay**

A Passionate Woman

That Stephanie Cole is a superh actress should be news to no-one. True, there are moments during *A Passionate Woman*, Kay Mellor'a new comedy, when it surprises us that she is quite so good at bringing to life Betty Derbyshire (née Wilson).

Betty, the menopausal Yorkshire wife of Donald and doting mother of Mark, is so affected by the prospect of losing her only son on his wedding day that she retires to the attic, where she is visited by the ghost of Craze, her one true love. To make such a character funny is one thing; to make her touching is something else. But Cole succeeds in both, and she also prepares us, stroka by subtle stroke, for the Romantic heroism which Betty finally attains.

After the attic, Betty takes to the roof; and then . . . Mellor has constructed her play so deftly that we cannot guess what Betty will do. Still, as the play does end, we may recall how far Mellor, in only two hours, has brought Betty since the start – when she climbed up into the attic and announced to us "I've been to the new Asda." What's more, it turns out her chat about Asda was not irrelevant, for she tells her husband that it was in Asda that she stopped in her tracks – when she saw her hand, unrecognisably aged, and yet recognisable because it bore her wedding-ring.

This terrain has already heen charted by Alan Ayckbourn. In *A Woman in Mind*, Ayckbourn showed a middle-aged woman who similarly withdraws from her household, moving not to the attic but to the garden. She too is haunted by spectral figures. *A Woman in Mind* is a more daring play than *A Passionate Woman*, which at times is rather more light than its subject. Yet this does not make Betty the less real. Betty's pain in relinquishing her son – or rather, in Act One, her refusal to consider the matter – is acute; and more acute is the way she retreats to the one brief time in her life when she discovered her passionate inner self.

Most acute of all is the way that Betty's mind keeps flickering between one subject and another. Cole's timing is such that she can make us laugh at lines that hardly seem funny in themselves, and can turn a more obviously "funny" line ("I have to be careful with cheese, because it tends to put on weight with me") into something cherishable. We need to see Cole in a play that makes a more disturbing impression – she has a rare capacity for moral force and vehemence.

Neil Morrissey (as son Mark), Alfred Lynch (as husband Donald), and James Gaddas (as *bien-aimé* Craze) all make fine contributions. Patrick Connellan'a two-sided house-top set is splendid. Ned Sherrin directs. The pacing, and comic/poignant fluctuations of tone, are remarkably finely tuned. At two or three moments (no more) I thought that a line had heen wrongly weighted – but in each case, I later discovered that the weighting of the line had in fact prepared me for the way the play was to develop.

Comedy Theatre, London SW1

Ayckbourn territory: Neil Morrissey and Stephanie Cole in Kay Mellor's new play Alastair Muir

Opera/**David Murray**

'Ariadne' revived

For the English National Opera, Graham Vick produced Richard Strauss's *Ariadne on Naxos* eleven years ago. His master-stroke was to insulate the high-flown Ariadne story completely from the low comedians' antics; but since the original Strauss-Hofmannsthal plan was to engineer comic friction between the competing troupes, respectively *opera seria* and *commedia dell'arte*, the Vick version was perverse in principle and dreary in effect – and not especially happy in its principal singers either.

As revived once again by Lynn Binstock, it looks better. The edges have been softened; the mechanical high-jinks in the prologue act are still tedious, hut the singing comedians get a looser rein later, and soon hit upon the right improvisatory, happy-go-lucky spirit. If Peter Snipp's sturdy Harlequin scores low on romantic appeal, his colleagues (all new) are an engaging crew: Timothy Robinson, Alasdair Elliott and particularly Mark Richardson as a daft Truffaldino. There is a sparky Dancing Master from John Graham-Hall, too, and a Malvolio-like Major-Domo from Nicholas Le Prevost.

Above all there is Cyndia Sieden's Zerhinetta, whose charm and sparkling accuracy are a great tonic. This American soprano misses only the note of wry, world-weary amusement – but that is not perhaps compulsory. Her scene with the young Composer is hobbled by his being a mature, matronly mezzo, the Canadian Judith Forst: an admirably dignified singer, but no aubstitute for tbe slim youth Hofmannsthal had in mind. (Another breeches-role like the *Rosenkavalier* Octavian was not what be intended, but Strauss insisted that most opera companies could field an intelligent mezzo more reliably than a second tenor.)

As for the heavies: well, there is mucb to admire in Jane Eaglen's monumental Ariadne, and Ian Caley has a good stab at Bacchus, a part that requires more sustained bellowing than Caley'a usual repertoire. But the modern habit of doing *Ariadne* with Wagnerian voices in a large theatre has meant that tbousands of people have beard tbe opera only on that inflated scale; its real delights suffer, and not least its wistful intimacies.

There are plenty of those written into the score – almost a miniature score, hy Strauss's standards – and they evaporate easily in a hig house. The conductor Alexander Sander lets them do that rather often, though he makes a workmanlike job of it all. He is curiously hrisk and un-tender with the nymphs' music, forthrightly sung by Maria Bovino, Judith Douglas and Yvonne Barclay (whose Echo never sounds like one when it should). If *Ariadne* must ha staged in the cavernous Coliseum, the present production will do, I suppose; hut as seen and heard in, say, Munich's little Cuvilliès-Theater, it is a different and much more lovable opera.

In repertory until December 14.

Chase Manhattan boost for BM

The British Museum yesterday announced tba first step in its ambition to renovate its galleries to celebrate its 250th anniversary in 2003. Chase Manhattan Bank is giving £1m, spread over five years, to pay for a new gallery of North American ethnic art.

At the moment the BM's ethnographical collection is housed in the Museum of Mankind, off Piccadilly. The aim is to return it to Bloomsbury to fill the space left hy the departure of the British Library to St Pancras. It will also occupy some of the additional square footage the BM will gain if Sir Norman Foster's £50m plan to enclose the inner courtyard comea to fruition as a millennium funded project.

The BM has one of the finest collections of ethnographical material from North America in the world, with around 20,000 objects, few of which are currently displayed. The artifacts of Innuit and Indians, from northern Canada to southern California, are well represented, with confirmed datings of items stretcbing back to 1702.

This will be Chase Manhattan's first major sponsorship in Europe, although it has a reputation for backing contemporary art in the US. The new gallery will open in 1997, even if the British Library has still not moved out.

Antony Thorncroft

Friel's 'Molly Sweeney'

There are times when you have to be patient with the Irish; it can pay off in the end. The first act of Brian Friel's new play seems slow. Characters (there are only three of them) seldom move. Even the unmistakable rhythm of the Friel language begins to seem repetitive.

This is deceptive. Taken all in all, *Molly Sweeney* is a marvellous piece of writing. To rejuvenate a cliché, there is more than meets the eye – and what does meet the eye if you hava been partially blind for over 40 years, then have your sight restored?

The territory is familiar Friel-land: Ballybeg, Donegal, rural Ireland and, yes, dancing is still a kind of magic formula. There is also science, culture and international communications. It is in the mixture of paganism, christianity and the modern world that Friel excels.

In the old days Molly's sight might have come back by praying to the Virgin Mary or a local saint. Now it is restored by a surgeon with contacts all over the world. Never mind, the effects are much the same: it is not certain that the surgery has worked.

Molly is not totally unhappy with her blindness, which came upon her at the age of 10 months. She can recognise flowers, laugh and swim: she has a job and marries. The men in the piece are Molly'a husband, Frank, and the eye surgeon, Mr Rice. Frank is peculiar perhaps even by the standards of Donegal. It is not remotely clear why an unemployed Irishman should take off to lead a food convoy to Ethiopia, and stay there, while his wife is recuperating. This is a weakness in the structure of the piece.

Mr Rice fits in better: the surgeon invited by Frank to perform an operation that has almost never been successful and brings international repute. He treats the operating theatre much like the stage, but admits that even when operations appear to work, it is not always clear *why*.

There is some intellectual rambling. Diderot, John Locke and Bishop Berkeley are all thrown in. Good and bad jokes come in about equal measure. I liked tbe story about tbe imported Iranian goats who refused to adjust to Irish time. On the other hand, some of the references to the third world atruck me as patronising – rather in the way tbe English used to talk about the Irish.

The production at the Almeida comes from the Gate Theatre, Dublin where the piece had its premiere in August. Friel directs himself. The speaking of the lines by Catherine Byrne as Molly, Mark Lambert as Frank and T.P. McKenna as Mr Rice is immaculate. Their performances might be even better if tbey were allowed to act a bit more. Fine Irish writing does not automatically amount to a play.

Malcolm Rutherford

INTERNATIONAL ARTS GUIDE

■ BONN

Oper This month's repertory consists of Verdi's La traviata starring Marisa Vitali/Hasmik Papian, Puccini's La fanciula del West with Barbara Daniels/Kathleen McCalla, the new Schnittke/George Whyte dance drama Dreyfus, Janacek's Jenufa and Il guarany, an opera by 19th century Brazilian composer Antonio Carlos Gomes. Youri Vamos' new production of Sleeping Beauty opens on Nov 27 (0228-773667)

■ COLOGNE

Opernhaus Tonight, Sat, next Tues: Lothar Zagrosek conducts Michael Hampe's new production of Lulu, with cast headed by Patricia Wise, Hanna Schwarz and Wolfgang Schöne (repeated Nov 18, 23). Fri: TanzForum production of Peer Gynt, choreographed by Jochen Ulrich. Sun: La traviata. Next Wed and Sat: Edita Gruberova sings in concert performance of Bellini's La Sonnambula (0221-221 8400)
Philharmonie Tonight: Cecile Licad plays Beethoven's Third Piano Concerto with Mecklenburg Staatskapelle. Tomorrow: Hermann Prey song recital. Fri: Gary Bertini conducts works by Stravinsky and Mahler (0221-2801)

■ COPENHAGEN

Royal Theatre Tonight: new Danish choreography. Tomorrow, next Tues: Flemming Flindt's new production of Prokofiev's opera The Love for Three Oranges. Fri: Fidelio. Sat, Mon: Flindt'a staging of Thomas Koppel'a ballet The Triumph of Death (tel 3314 1002 fax 3312 3692)

■ DRESDEN

Semperoper Tonight: members of the Dresden Staatskapelle play chamber music. Tomorrow: La traviata. Fri: Stephan Thoss' production of Prokofiev's ballet Romeo and Juliet. Sat at 11am, Sun at 11am and 8pm: Giuseppe Sinopoli conducts Dresden Staatskapelle in symphonic works by Mahler and Strauss, with soprano Elizabeth Norberg-Schulz. Sat evening: Harry Kupfer's production of Handel's Belshazzar, starring Jochen Kowalski. Next Tues: The Bartered Brida (0351-484 2323)
Kulturpalast Sat and Sun: Miltiades Caridis conducts Dresden Philharmonic Orchestra and Chorus in works by Mahler, Mozart and Bruckner (0351-486 6666)

■ FRANKFURT

Alte Oper Tomorrow: Johnny Hallyday. Fri: Kent Nagano conducts Lyon Opera Orchestra and Chorus in works by Strauss and Ravel, with soprano Cheryl Studer. Sat: Nagano conducts concert performance ot Berlioz'a La Damnation de Faust, with cast including Susan Graham, Thomas Moser and José van Dam. Sun: Klaus Maria Brandauer and Rudolf Buchbinder in a programme of literature and music (069-134 0400)
Jahrhunderthalle Hoechst Tomorrow: Emmanuel Krivine conducts Bamberg Symphony Orchestra in works by Beethoven, Rakhmaninov and Musorgsky/Ravel, with piano soloist Lars Vogt. Fri and Sat: Slovak National Opera of Bratislava presents an Italian opera gala (069-360 1240)
Oper Fri: Cornelius' comic opera Der Barbier von Bagdad. Sun: new production of Schoenberg's Pierrot Lunaira and Janacek's Diary of a Young Man who Disappeared (069-236061)

■ GOTHENBURG

Operan Tonight, Sun, next Tues: Robert North's production of Prokofiev's ballet Romeo and Juliet. Fri: Blomdahl's 1959 space opera Aniara (031-131300)
Konserthuset Fri: Alexander Dmitriev conducts Gothenburg Symphony Orchestra in works by Rosenberg, Britten and Shostakovich, with cello soloist Truls Mork. Next Tues: Christer Thorvaldsson violin recital (031-167000)

■ HAMBURG

Staatsoper Tonight, next Tues, Thurs and Sun: Hamburg Ballet in John Neumeier's production of Tha Nutcracker. Tomorrow, next Mon, Wed and Sat: Neumeier's Requiem, music by Mozart. Fri: Lortzing's comic opera Der Wildschütz. Sat: Andreas Homoki's new production of Rigoletto, with cast headed by Franz Grundheber and Hellen Kwon. Sun: Wagner's Siegfried, with Wolfgang Fassler in tha title role and Simon Estes as the Wanderer (040-351721)
Musikhalle Tomorrow: Frans Brüggen conducts Orchestra of the 18th Century in works by Schubert and Beethoven. Sun, Mon: North German Radio Symphony Orchestra and Chorus in Bach's Matthew Passion (040-354414)
St-Michaelis-Kirche Next Tues evening, Wed afternoon: Gerd Albrecht conducts Hamburg State Philharmonic Orchestra and Chorus in Brahms' German Requiem, with soloiats Maria Bayo and Boja Skovhus (040-351721)

■ HELSINKI

Finnish National Opera Tonight, next Wed: Otello. Tomorrow, Sat, next Tues: Nureyev's production of The Nutcracker. Fri: La boheme. Sun, next Fri: Miguel Gomez-Martinaz conducts concert performances of Falla's Atlantida (0-4030 2211)

■ MUNICH

OPERA/DANCE
Staatsoper Tonight, Fri, Sun: Colin Davis conducts Nicholas Hytner's new production of Don Giovanni, with cast headed by William Shimell, Lucio Gallo, Matti Salminen, Sheri Greenawald and Alison Hagley. Tomorrow: Der fliegenda Holländer with Ekkehard Wlaschiha and Julia Varady. Sat: Bavarian State Ballet in Peter Wright's production of Gisella. Mon: Carmen. Tuas: La traviata with Tiziana Fabbricini as Violetta (089-221316)
Deutsches Theater Tonight: opening performanca of two-week run ot a flamenco show by Rafael Aguilar's Ballat Teatro Espanol (089-5523 4360)

CONCERTS
Gasteig Tonight: Philip Glass Ensemble provide live musical accompaniment for Jean Cocteau's cult film Beauty and the Beast. Fri, Sun morning, Mon, Tues: Gianluigi Gelmetti conducts Munich Philharmonic Orchestra and Chorus in Rossini'a Stabat Mater. Sat: Puccini gala with Agnes Baltsa, Gabriela Benackova, Edita Gruberova, Gwyneth Jones, Eva Marton, Anna Tomowa-Sintow and Mara Zampieri. Next Wed: Orchestre de Paris (089-4809 8614)
Herkulessaal der Residenz Tomorrow: Thomas Mandl conducts Ukraine State Philharmonic Orchestra in works by Tchaikovsky, Brahms and Rakhmaninov, with soloists Vadim Repin (violin) and Gustav Ravinius (cello). Sat: Hermann Prey sings Schubert's Winterreise. Mon: Hilliard Ensemble (089-299901)
Olympiahalle Sat: Joe Cocker (089-5481 8181)

■ OSLO

Konserthus Tomorrow, Fri: Michael Stern conducta Oslo Philharmonic Orchestra in worka by Thoresen, Mendelssohn and Rakhmaninov, with violin soloist Solve Sigarland. Nov 17, 18: Mariss Jansons conducts Strauss, Shostakovich and Ravel (2283 3200)

■ STOCKHOLM

Royal Opera Tonight, Fri, Mon: Yevgeny Polyakov's new staging of the Nureyev production ot Minkus' ballet Don Quixote. Sat: La nozze di Figaro. Tues: La boheme (tickets 08-248240 information 08-203515)
Konserthuset Tomorrow, Sat afternoon: Gennady Rozhdestvensky conducts Royal Stockholm Philharmonic Orchestra in works by Weber and Shostakovich, with clarinet soloist Sölve Kingstedt (tickets 08-102110 information 08-212520)

■ STRASBOURG

Théâtre Municipal Tonight, Fri, Sun afternoon: Friedrich Haider conducts Paul Stern'a new production of Madama Butterfly, with cast headed by Asayo Otsuka and Marcus Haddock (8875 4823)
Palais de la Musique Tomorrow, Fri: Jerzy Semkow conducts Strasbourg Philharmonic Orchestra in a Tchaikovsky programme, with cello soloist Raphael Wallfisch (8852 1845)

■ STUTTGART

Staatstheater Tomorrow, Sat, Sun afternoon: Stuttgart Ballet in John Cranko's Onegin. Fri: Cosi fan tutte. Sun evening: concert of Janacek chamber music. Nov 24: new production of Janacek's From the House of the Dead (0711-221795)

ARTS GUIDE
Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV
(Central European Time)
MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Edward Mortimer

The Balkan disease

West Europeans may not be immune, as the Slovenia-Italy dispute shows

If there is one indieputable succese story in post-communist central Europe, five years after the fall of the Berlin Wall, it is surely Slovenia.

I think of Slovenia as "the one that got away". It was part of Yugoslavia, hut succeeded in extricating itself st the price of a phoney war lasting one week, in which only eight of its people were killed. Since then, its leaders have been at pains to explain, to anyone who will listen, that Slovenia is not a Balkan country.

It is, they tell you, a central European country: normal, peaceful, e showcase of traneition to democracy and the market. Already 60 per cent of lts foreign trade is with the European Union, and that will rise to more than two-thirds when Austria joins the EU in two months. Per capita income is higher than that of Greece or Portugal.

Like the Czech lands, Slovenia was formerly in the Austrian part of the Habeburg empire, whereas Croatia, like Slovakia, was in the Hungarian part. It may not be pure coincidence that Slovenia and the Czech Republic are the two central European countries identified hy the European Commission as likely to be ready for EU membership by the end of the decade. Certainly Slovenia, with lts lusb Alpine scenery and evident prosperity, feels like e southward extension of Austria, only with much lower prices.

British ministers will heve heard all this *ad nauseam* in the past two days, as they have beeo entertaining the Slovenian prime minister, Mr Janez Drnovšek. Slovenia'e leeders have an obseesive fear that their echievements are not recognised in the west. They react instantly to any implied hint that Slovenia is still in the "Balkan" or "former Yugoslav" category.

Ironically, in its haste to escape from the Balkans and join western Europe, Slovenia has tripped up on a dispute of what might be considered the "Balkan" type, only with a west European country.

What would be a typical Balkan conflict, in the sense in which Slovenes and west Europeans use that term? One in which ethnically defined states make claims on each other in the name of kinsfolk living the "wrong" side of a frontier. One in which the crimes of people long since dead are called in evidence to justify an alarmist interpretation of the behaviour or intentions of people wearing the same state or ethnic labels today. And, perhaps, one in which inter-state quarrels are exacerbated hy domestic power struggles, as some politicians raise nationalist slogans to advance their cause, while others fear losing popularity and influence if they resist.

All those elements are present in the dispute between Slovenia and Italy. Its roots lie deep in the more unpleasant episodes of 20th century European history, when nation states in the grip of totalitarian ideologies tried to set their exclusive stamp on lands where different identities had long coexisted and overlapped.

Slovenes fear being bought out of house and home by superior Italian purchasing power

The eastern coast of the Adriatic was such a land. For centuries lts ports and fishing villages had a Roman or Venetian culture, while the shepherds and farmers of the overlooking hill country spoke south Slavonic dialects – but goods, ideas and vocabulary were freely exchanged between the two. Only in the 19th century did the difference become political, as Italian nationalists laid claim to the area and the Hahsburg authorities countered hy encouraging edocation in the Slav vernaculars.

After the first world war, Italy, as a victor power, annexed the Istrian peninsula. Soon afterwards Mussolini came to power and set about ensuring its Italian character with all the tact and subtlety for which he was famous. In the second world war the wheel of fortune turned. Italy was defeated. Tito'e partisans triumphed and incorporated the area into Yugoslavis, except the city of Trieste, from which the weetern alliee evicted them. In 1954 the great powers converted *de facto* control into *de jure* sovereignty. Italians living in what became Yugoslav territory were given the choice of accepting Yugoslav citizenship or moving to Italy. Most of them moved, preferring democracy among their kith and kin to life in an alien and unsympathetic communist state.

Altogether some 350,000 Italians left Istria after 1945: roughly 60 per cent from the Croatian part and 40 per cent from the Slovenian. In 1983 Yugoslavia agreed to compensate them for the property they had left behind. Slovenia, as a euccessor etate, ie happy to continue its share of the payments. But Italy now refuses to accept compensation, arguing that Italians should have the same rights given to Slovenian citizens – to claim back property taken from them by the Yugoslav state, and to bid for puhlicly owned real estate when it is put up for sale.

Slovenes fear being bought out of house and home hy superior Italian (and German and Austrian) purchasing power. They also see tha Italian request as an attempt, egged on by neo-fascists in Silvio Berlusconi's government, to reopen the postwar borders: a dangerous precedent for Europe as a whole. Italy is now blocking the opening of negotiations on an association agreement between Slovenia and the EU until the bilateral dispute is settled. Last month Slovenia sent a lame-duck foreign minister to negotiate, then repudiated the compromise text that he brought back. Which side, one is tempted to ask, is behaving in a more "Balkan" manner?

But perhaps that is the wrong question. The right question is whether west Europeans are justified in thinking themselves immune from "Balkan" reflexes – or whether, if they do not find better ways to treat it, they will not gradually fall victim to the Balkan disease themselves.

The buoyant chemicals industry is preparing for the eventual downturn, says Daniel Green

Formula for explosive reaction

For the world's chemical giants, the good times are rolling. Sales are rising, prices are rising, and profits are soaring.

Yet in this notoriously cyclical industry, the next downturn is never far away. How far depends on whether this year's rising chemicals prices owe more to increased demand or to temporary conetraints on production, providing only a short-term fillip.

The industry is divided on the matter, but not on the fallout: third-quarter results have been excellent. Dow Chemical of the US reported post-tax profits 102 per cent higher than a year earlier, while US rival Du Pont turned a $680m loss a year ago, affected hy e restructuring charge, into a $650m profit. In Europe, ICI's pre-tax profits were 59 per cent higher than a year earlier. There were spectacular figures too from BP Chemicals in the UK, France's Rhône-Poulenc, DSM of the Netherlands, and Dutch-Swedish combine Akzo-Nobel.

Industry leaders have been only too willing to claim the credit for this turnround. "The majority of the improvement has come from hard-won market volume gains and improved productivity," says Sir Denys Henderson, ICI chairman.

Mr Edgar Woolard, Du Pont chairman, says: "This performance confirms that transformation efforts to make all of our businesses globally competitive are working."

But this pride would seem to be inflated. The previous five years of depressed prices and heavy losses hrought only modest restructuring to the industry and few real capacity cuts.

Efforts were made to secure deeper cuts, but they proved unsuccessful. A year ago, European producers of ethylene, perhaps the most important of the ingredients for plastics, formulated a plan to shut more than 10 per cent of capacity in Europe. Prices were so low that all hut the largest end most efficient plants were losing money.

But the plan collapsed because each individual producer feared it would have to bear the brunt of the cuts. Piecemeal closures followed, including the BP Chemicals plant at Baglan Bay in Wales. But European capacity fell by less than 3 per cent.

US producers also restructured only modestly. So modestly that, in ethylene for example, capacity continued to rise throughout the recession.

The story was repeeted in other sectors, such as propyiene and styrene in Europe and North America.

Rather than plant closures, the recovery in chemicals has been driven by economic recovery in the US and continued growth in Asia, saye Mr Richard Sleep, a consultant with industry consultancy ChemSystems.

Chemicals and their immediate derivatives such as plastics are vital to almost every sector of manufacturing, and are particularly important to the prodncers of cars and trucks, packaging and construction materials. As economic activity has picked up, so has the demand for chemicals.

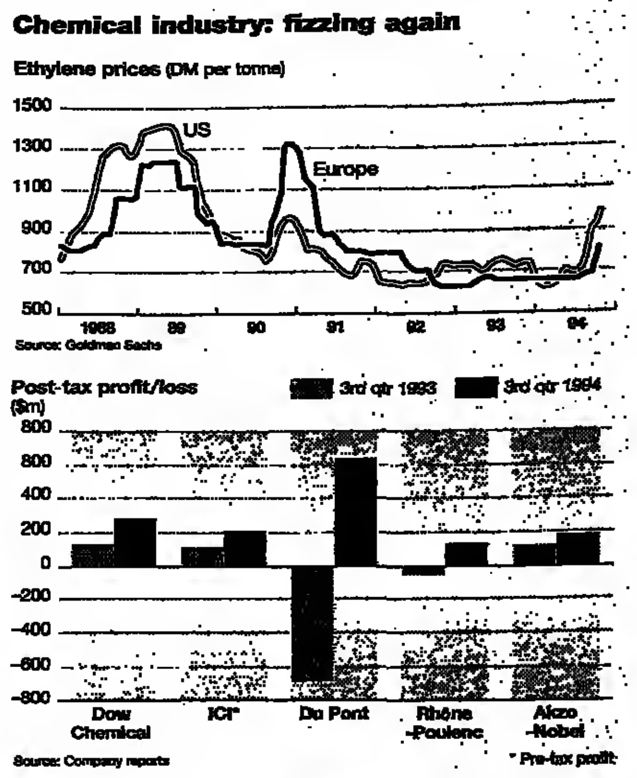
In the face of increased domestic demand, US and Asian producers have all but abandoned exports to Europe, therehy boosting the fortunes of European producers in their own home markets. European producers have also been gaining export markets in the US.

"Petrochemicals and polymers production in the US and Europe is up about 10 per cent. But in Europe, what's really driven prices up is exports to the US. This is very unusual," says Mr Sleep.

Increased demand has been pushing up chemical prices for several months. But traders in tha world'e chemical markets have beeo just as affected hy a series of accidents, which have curbed the industry's production capacity.

Some of these have been plant failures, blamed on tired machinery struggling to cope with a sharp rise in production. "It'e like running a rather old car very gently for several years and suddenly putting your foot down," said one industry executive.

Among the biggest were fires and an explosion at Exxon Chemical's complex at Baton Rouge, Louisiana, on August 8 which hit the US ethylene market. A ruptured pipe and fires at Enichem's Priolo plant in Sicily cut production of ethylene and polyethylene in Europe. The Industry has even suffered natural disasters, such as last month's floods in southern Texas.



All these accidents have caused capecity cuts. In August and September, US and Italian producers experienced a 3m tonne fall in their naphtha cracking capacity – a vital early stage in petrochemicals manufacture. This was equivalent to an 8 per cent cut in capacity for ethylene production.

'It's like running an old car gently for years and suddenly putting your foot down'

At a time of rising demand, cbemicals markets have proved highly sensitive to such unplanned cuts. An explosion on October 12 that shnt a 420,000 tonnes a year methanol plant in Texas – closing more than 6 per cent of US capacity – triggered a 14 per cent rise in European spot methanol prices. Methanol is used in the manufacture of petrol and of plasterboard for the construction industry.

Mr Edmund Clinckspor, director for supply and planning in basic chemicals at Exxon Chemical, says that the combination of economic recovery and plant shutdowns has triggered price rises that have, in themselves, pushed up demand.

"Prices are rising, so people want to buy today before the price rises again," says Mr Clinckspor.

Such restocking can be only a temporary phenomenon, however. Within months, distributors and customers will have tied up as much working capital in stocks as they feel comfortable with.

But optimists argue that the initial causes of the price rises are likely to continue for some time. It takes at least three years, from approval, to achieve significant production levels in new plant, they say. Furthermore, even if exports from Europe dry up as new plants are commissioned in north America and Asia, they argue thet the European recovery that is only just starting will take up the slack.

More cautious voices say that damaged factories can be repaired within months. They also argue that European and Asian manufacturers will find the US a more difficult market once Dow Chemical's new cracker capacity has come on stream in the US next year.

In addition, eome of the greatest growth in demand has been coming from price-sensitive Asian customers, such as China.

"China will not stop buying at once, but if prices are moving too high too fast, there may be some slowdown [in sales]," says Mr Philippe Goebel, vice-president of planning at France'a Elf Atochem, part of the petrochemical giant Elf Aquitaine.

Mr Clinckspor echoes his concern: "We can't count on Chinese imports remaining at this level. I wouldn't be surprised if profit margins across the whole industry peaked in the first half of 1995."

That profit margins will recede is a matter on which optimists and pessimists alike agree. High prices will trigger capital investmant that will lead to overcapacity and price competition. The cycle will continue, and the industry will be faced with its next downturn.

However, the industry is determined that there will be no return to the loose cost controls of the 1980s, when inefficiency and under-investment proved sustainable thanks to high demand.

Some companies claim that they have done enough reatructuring to stay profitahle through another recession.

Mr Ettore dell'Isola, chief executive of EVC, the PVC manufacturing joint venture between ICI and Enichem, says that EVC would not have made losses during the last recession with the cost base it hopes to have by the end of next year.

Others place more emphasis on the shift in their attitude. One such is Mr Earl Timmons, Du Pont's vice-president of finance, who says: "Although our formal restructuring programme is over, we don't think that cost-cutting will ever end."

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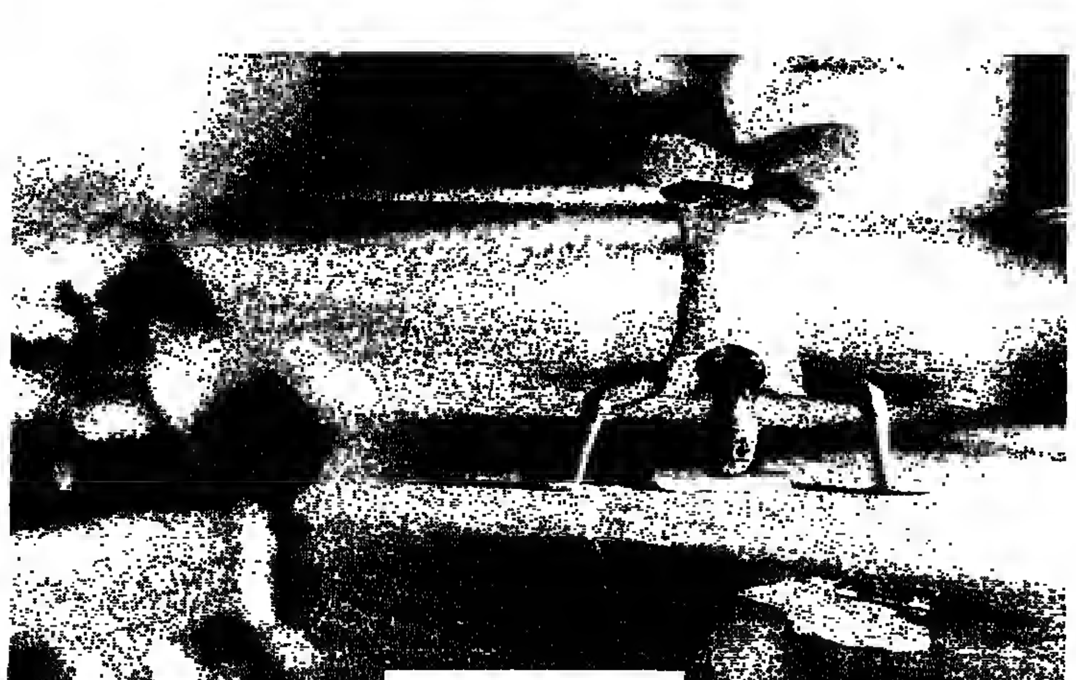

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LETTERS TO THE EDITOR

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Better environment not costly exercise

From Sir Anthony Cleaver.

Sir, Dr David Slater's call for volunteers to help prove that tighter eovironmental cootrols need not be as expensive as critics believe ("Pollutioo cost plea to industry", November 2) is most welcome and timely.

All my experience of working with companies which have invested in upgrading their environmental performance has persuaded me that it is often possible both to do this and to improve profitability at the same time.

The experience of AEA Techoology as a leading environmental consultancy confirms that the key to success lies in integrated environmental solutions which embrace the entire plant or process, rather than in spending money on "end-of-pipe" add ons.

Wider adoption of the integrated approach will deliver significant competitive advantages for UK industry and a cleaner environment for us all.

As well as volunteering for Dr Slater's experiment, interested companies would be well advised to participate in the Environmental Technology Best Practice programme. This ls being managed by AEA Technology and aims to promote hetter environmental practice at the same time as increasing competitiveness.

Anthony Cleaver,
chairman, AEA Technology,
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London SW1Y 4LR

Chuzzlewit dull in part, but mostly absorbing

From Ms Elizabeth Wells.

Sir, I should be grateful for the opportunity to enlighten Christopher Dunkley (Television, November 7) on *Martin Chuzzlewit*. Even Dickens's Victorian readers, who were blessed with much wider attention spans than most people are able to demonstrate today, found the novel's American chapters extremely dull and uninteresting. It is poseible that they were invented by the author to promote the novel's disappointing early sales. Indeed, then and since, these chapters have proved so much of an annoyance that they have frequently been skipped over and left unread so that the enthusiastic reader can concentrate on the wonderful characters and thoroughly ahsorbing events contained in the main part of the book.

I urge Dunkley to read the novel; I am sure that once he has, he may well find that he agrees with these sentiments.

Elizabeth Wells,
16 Fir Cottage Road,
Barkham Wood,
Wokingham,
Berkshire RG16 7RY

Deal within guidelines

From Mr Mark Callanan.

Sir, To set the record straight, the Royal Mail's pay deal with the executive of the Unlon of Communication Workers ("Royal Meil flouts pay freeze with 3.4 per cent offer", November 5) does not breach government pay guidelines.

The deal consists of an increase in basic pay of 2.5 per cent plus a further 0.3 per cent in respect of current unrewarded productivity improvements. Its effect on the annual pay bill is a net reduction of about 0.2 per cent provided by a fall in headcount.

The "supplement" of £1.50 does not add a further 0.6 per cent to earnings as stated by you. It is, in fact, a straight transfer from non-pensionable pay to pensionable pay of that amount, and it will lead to a small reduction in take-homa pey because of the employees' contribution to the pension scheme.

Mark Callanan,
national head of remuneration and employment,
Royal Mail,
148 Old Street,
London EC1V 9HQ

Shortcomings prejudice move to European unity

From Mr J M Paton.

Sir, Karl Lamers (Personal View, November 7) puts forward a compelling case for monetary union in the development of the European Union. The Treaty of Rome put the case for free trade within the community in the 1950e in much the same way.

Some 40 years down the road, however, we have the UK with the most efficient steel industry in Europe hut with companies being forced out of business because of oogoing blatant internal subsidy of many European eteel producers elsewhere, not least in Germany. Is this not an aspect of national sovereignty which Germany and others choose to ignore?

Let us put first things first, before moving on to more eophisticated allgnments which will generate more problems than economic unity.

When will continental Europe understand that we in the UK are not opposed to European union but are sickened by holier-than-thou eppeals proclaiming higher aspirations while ignoring fundamental ehortcomings in meeting the requirements of the Treaty of Rome?

Doctor heal thyself.

J M Paton,
Culver House,
Chester Road,
Middlewich, Cheshire

Market has the right AIM for young companies

From Mr Gavin Don.

Sir, Your epitaph for the Alternative Investment Market (Lex: "Queetionable AIM", November 7) is premature, to say the least. M&G'e statement that its funds will evold the market comes as no surprise to those involved in the design of the AIM, and indeed we would have been more surprised had M&G indicated that it would be investing.

The AIM has from the outset been conceived as a market for the larger retail investor, and the stock exchange's proposals have quite rightly focused on balancing the needs of those investors with the need to reduce excess costs for young companies to the minimum. The likely size of AIM companies will automatically lead the great majority of institutions to ignore the new market.

You lament the absence of private sector initiatives to meet the needs of young companies. Past experience of such markets has shown that the confusion created by a diverse portfolio of products obstructs their growth and acceptance (witness the confusion among investors, intermediaries and companies over the relative merits of the Unlisted Securities Market, Rule 535.2/4.2 and the Third Market).

A single, effective solution, launched on the back of an infrastructure already in existence and paid for, which can provide one forum for the raising of capital in amounts well below the range of the Official List, should be welcomed as a significant tool for the support of industrial investment. The USM, in being too much like its elder brother, failed in this respect, as would the European Venture Capital Association's proposals. Provided the exchange remains true to its current vision, the AIM has every chance of meeting an urgent need.

Gavin Don,
Equitas,
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More confused

From Mr Paul Richards.

Sir, Norman Lamont describes the Conservative backbenchers who forced the U-turn over Post Office privatisation as "a taxi-full of flotsam and hobtail" ("Tory right threatens EU revolt after retreat on postal sell-off", November 7).

What a confusing use of English.

Does he mean "flotsam and jetsam"? Or is the phrase he is grappling for "rag, tag and bobtail"?

Mind you, he wasn't much good with figures either.

Paul Richards,
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Wednesday November 9 1994

Europe's big challenge

The events of 1989, symbolised by the fall of the Berlin wall five years ago today, presented Europe as a whole with its greatest challenge since the Berlin blockade of 1948, and its best chance to build a "just and lasting peaceful order" since 1919.

It was a challenge to the peoples of eastern and central Europe themselves, but also to the west, which was asked to put its money where its mouth had been for 40 years. And not only money. During those 40 years western Europe had achieved unprecedented security and prosperity through a model of economic and political integration which, even while rhetorically deploring the division of the continent, tacitly assumed that it was here to stay. Now western Europe had either to renege on its proclaimed ideals, or find a way of sharing its security and prosperity with the rest of the continent.

Three questions were unavoidably posed:

- Which west European institutions could be expanded to take in the newly free countries?
- How much adjustment of those institutions would the expansion imply?
- Were some existing institutions, on the contrary, rendered redundant or anachronistic by the end of the cold war?

Only in relation to one small part of the former east were those questions given a definitive answer. West Germany absorbed 16m East Germans into the whole gamut of its internal laws and external commitments. Even this relatively small-scale exercise proved almost ruinously expensive for the strongest economy on the continent. Clearly the model is not applicable to the continent as a whole.

Nato, the successful guardian of western Europe in the cold war, has proved itself largely irrelevant to the challenge of peace. It feared to jeopardise its previous success by reaching out too quickly to new member states where democracy was new and fragile, and it allowed itself to be manoeuvred into giving Russia an implicit veto over any future expansion. It tried to find a new *raison d'être* in peacekeeping, but in the former Yugoslavia it is now deep in the conceptual quagmire between peacekeeping and peace enforcement.

Strategic leadership

The European Community (as it still was in 1989) has been less troubled by self-doubt. Its special stock in trade, economic integration, was clearly what the east was looking for. But its first instinct was to reinforce the integration of its existing membership, in order to forestall any disintegrative effect that the sudden crumbling of its eastern border might have, and to endow Europe with a political centre capable of giving strategic leadership.

The instinct was sound but the rationale was not clearly spelt out, nor the measures proposed clearly related to it; and the economic climate was hardly conducive to an enthusiastic response. The result is a European Union in name more than substance: divided, sulky, and offering more difficulties than attractions to potential new members in the east. But at least the EU has paid lip-service to the need to absorb the states of central Europe. Several of them, meanwhile, have risen impressively to the challenge. They already look more credible potential members than they did a year or two ago.

What is needed now is a plan to make the next five years a period of adjustment for both east and west, during which an eastward expansion of the EU can be seriously prepared. The intergovernmental conference scheduled for 1996 should mark an important stage in that plan, but it can do so only if it takes full account of the views and interests of candidate as well as existing members.

Radical reform

The plan will have to include a complete opening of the west European market to central and east European products (including "sensitive" ones), and a more radical reform of the common agricultural policy and the regional and structural funds than so far envisaged. That is not an agenda that France and Spain, which will hold the presidency next year, are at all keen to embark on. But they have to face the reality that the EU does not have the resources to bring central European food prices up to west European levels, even if that were an economically sensible thing to do. Nor does it have funds to dish out to central Europe on the scale that it now does to southern Europe. Yet the EU is committed in principle to eastward expansion, and Germany, the biggest net contributor, will not let it renege on that commitment.

Germany will also keep pushing for a central core of countries to lead the way in forming a fully-fledged federation, with political integration as the counterpart to monetary union. France appears less and less sure of the value of this bargain, but is more than ever keen on a joint European defence, partly to provide a framework within which German military capabilities can be cultivated without seeming dangerous to Germany's neighbours. Britain too is keen on this aspect of European integration, but it must be doubted whether a common defence will really be credible unless there is also a unified political leadership to give it its orders.

In any case, the existence of such an integrated hard core will be of interest to the candidate members only if it provides Europe with the strategic leadership that has been lacking for the last five years. Most of them now understand that their security depends less on military guarantees than on being fully integrated into a pan-European economy and society. By November 9 1999 that process must be well under way.

Small business management

Policymakers frequently trot out the view that public support is needed if managers in the UK's smaller companies are to be competitive. Unfortunately, neither the government, nor consultants in the training-and-advice game, have dared ask whether such support actually works. That failure should be remedied by investigating what benefit, if any, this subsidised consultancy is providing.

In a refreshing departure from its previous position, the Confederation of British Industry acknowledged this on Monday by questioning whether government spending on management development is being wisely focused. Picking up on research carried out by Warwick Business School earlier this year, the CBI warned that nobody knows whether taxpayers' money is well spent in this area. The point is not that there is proof that spending on management development does not work, but rather that the opposite presumption is unfounded.

The warning is timely. Each year, the government indirectly spends more than £100m on management support – business counselling, export support, the Investors in People programme and a host of other schemes – mainly for owner-managed businesses. Most of this is from the Department of Trade and Industry and the Department for Employment and is delivered via Training and Enterprise Councils and Business Links – the network of one-stop advice shops being put in place across the country.

The skills these organisations are trying to enhance are doubtless lacking in many smaller businesses. Some companies recognise this and pay a full market rate to consultants to help solve the problem. But when government peddles subsidised services, there is a danger companies are being encouraged to use programmes that do not work to tackle management issues that are not important. In that case, both the subsidy and the companies' own costs are all wasted.

The CBI's questioning of management development spending is particularly timely given the advance of the Business Link network. Later this month, when London's application is approved, the government will be more than half way towards its goal of opening 80 Business Links in England. These new organisations may be keener to meet their targets for providing services – hours of consultancy given and numbers of companies supported – than they are to evaluate the benefits their customers derive.

The CBI should be congratulated on questioning the worth of public support in this area. This is so quite apart from the potential for waste and economic distortion. Medium-sized companies increasingly provide the jobs big business is shedding. For this reason, they need to be helped in the most effective possible ways. More effort should be devoted to determining what kind of state-aided support for management development works best. Only then could taxpayers and medium-sized companies feel confident that the most effective possible assistance is on offer.

When the people went over the top

In the first of a series, Anthony Robinson analyses the consequences of the fall of communism five years ago

The fall of the WALL

The overnight transformation of the Berlin Wall five years ago today from the symbol of divided Europe into a quarry for souvenir hunters marked the end of a 200-year historical cycle. The wall which symbolised oppression was built by the heirs to a violent revolutionary tradition which began in Paris with dreams of *liberté, égalité, fraternité*.

The French revolution led inexorably from liberty through anarchy and terror to tyranny before crashing to military defeat. The bloodier communist revolution ended with the internal collapse of the militarised Soviet dinosaur and the joyous shouts of liberated East Berliners.

The climactic moment of the "six months that shook the world" in 1989 remains the surge of delirious crowds through the Berlin Wall on November 9. But the spark that exploded communism and ended the cold war was struck at the round table power-sharing talks between Solidarity and Polish communist leaders that began six months earlier.

The talks began in the spring and ended in June with an agreement to hold multi-party elections, heavily rigged in favour of the communists and their allies. But the elections produced a tidal wave of anti-communist votes that gave Solidarity most of the freely-contested seats in the Sejm, the lower house, and all 100 seats in the largely decorative senate. It was a crushing moral defeat for the communists and opened the way for post-war Poland's first non-communist government, led by Mr Tadeusz Mazowiecki.

The Poles had shown that it was possible to remove a communist government peacefully. But that was not enough for others to follow suit. Fear of violent reaction from Moscow remained until Mikhail Gorbachev and his small band of close advisers let it be known that Moscow would no longer intervene in what they hoped would be limited to a generational change of leaders and style.

The Brezhnev doctrine, which had led to the invasion of Czechoslovakia in 1968, was replaced by the "Sinatra doctrine". Each country would be free to follow its own path, and "do it my way", as Mr Gennadi Gerasimov, Mr Gorbachev's smooth and cynical press secretary, crooned in reply to journalists' questions about Moscow's policy on the changes in central Europe. Throughout the region, subject peoples took the hint and regimes began to fall like skittles in a bowling alley.

In September, Hungary's reformist communist leadership cut open the frontier with Austria and thousands of East Germans fled through the holes. Soon afterwards, old tyrants such as East Germany's Erich Honnecker and Bulgaria's Todor Zhivkov were elbowed aside by younger apparatchiks. They in turn were rejected by milling crowds in central Europe's towns and squares.

Crowds clamber over the Berlin Wall, symbol of Europe's division, in a night of celebration in November 1989 Reuter

A month after the Berlin wall collapsed, Czechs and Slovaks exulted in a "velvet revolution". The communist leaders were peacefully replaced by dissident writers, poets and, unremarked at the time, a steely-minded group of passionate free-market economic reformers.

There was bloodshed only at the tail end of this extraordinary process of rebirth. On Christmas day 1989, Nicolae Ceausescu, the Romanian dictator, and his even more hated wife, Elena, were summarily tried and executed after fleeing Bucharest by helicopter. Bloody street-fighting followed.

Overall, freedom brought euphoria. It did not last long. The cold light of day and freedom of expression quickly revealed the extent of moral decay, physical deterioration and economic backwardness bequeathed to the entire region by 45 years of communism.

All over the former Soviet world, previously unknown and untried leaders have since faced the daunting tasks of constructing a democratic state out of the totalitarian wreckage and transforming their planned economies into market systems.

In the European parts of the former Soviet empire, there have been few witch-hunts. In Lithuania, Poland and Hungary, former communist politicians have been returned to power in free elections as new-look social democrats.

All over, historic roots and ancient rivalries have been rediscovered. The Soviet doctrine of "proletarian internationalism" was quickly rejected by peoples who were deemed by communist ideologues to have submerged their identity into international working class solidarity.

In Europe, this led to the violent disintegration of Yugoslavia, instigated by former communist officials re-packaged as rabid nationalists.

Further east, ethnic wars broke out in the Caucasus and parts of central Asia. Russia itself faced disintegration as peoples subjugated for centuries by Tsar and commissar alike re-opened claims for greater autonomy and the revival of old customs and laws.

There remains a danger that a wider conflagration will erupt out of the Balkans, the Caucasus or central Asia. But the threat of nuclear destruction has been lifted from the world. Large parts of central Asia and the Baltic and Black seas have been opened to normal trade and commerce. Above all, economic, political and human rights and freedoms have been restored over one sixth of the globe.

Western leaders have been slow, however, to recognise the momentous challenge presented by the collapse of Soviet control over eastern Europe – not least because the events of 1989 came largely as a surprise.

Germany single-mindedly concentrated on re-integrating the five eastern *Länder* into a re-united state. But the initially generous emotional response of western Europe was blunted by recession as the European Union grappled with rising unemployment. Governments and lobbies often reacted to cheap eastern labour and products as a threat rather than an opportunity to lower costs and expand trade and investment.

Slowly Brussels embarked on a series of bilateral trade negotiations that have resulted in "association agreements" with the six former Warsaw Pact countries. It began with the Czech republic, Hungary, Poland and Slovakia, the fast-track reform states known collectively as the "Visegrad 4" after the Hungarian town where they sealed their loose alliance. The four, and Slovenia, are working hard to bring their institutions, laws and economies as close to EU standards as possible in the hope of full entry by the turn of the century. The EU Copenhagen summit in 1993 opened up the prospect of full membership but remained tantalisingly imprecise as to timing.

The timetable stretches further into the future for Albania, Romania and Bulgaria and remains obscure for the former Soviet Baltic states, Belarus and Ukraine, and the war-entangled former Yugoslav states. The greatest fear of all the countries of east and central Europe is of being left in limbo between a prosperous western Europe defended by Nato and an eventually resurgent Russia claiming special privileges and influence over what it terms "the near abroad".

The fall of the Berlin Wall signalled the end of the cold war and removed the physical barriers to the creation of a united Europe. But creating the political and economic structures needed to keep such a rich, varied but potentially fractious family of nations pointing in the same direction without frightening Russia back into its old aggressive defensiveness is a task which has only just begun.

The next milestones are the forthcoming summit of EU leaders at the European Council meeting in Essen next month and the Intergovernmental Conference of 1996. But it would be an illusion to imagine that the architecture of such a Europe could be drawn up by politicians and bureaucrats alone. They are already way behind the businessmen, bankers and investors whose contribution to the creation of a pan-European market will be reviewed in the second article of this series.

Goodbye to 'good chaps' government

PERSONAL VIEW

Sir Robin Butler, cabinet secretary and head of the British civil service, subscribes, it has been said by a former senior civil servant, to the "good chaps theory of government".

And why not? When I first came to the UK in the 1950s, everybody did.

Good chaps ran the royal colleges, the chartered institutes, the inns of court, the merchant banks, public companies, Lloyd's insurance market, Oxbridge colleges, public schools and the House of Commons.

Former prime minister Harold Macmillan – a little too clever to be a really good chap – presided over the nation with wit and cynicism, turning aside from cares of state to read Aeschylus in the original.

Bowlar-hatted good chaps poured from the underground every morning, properly dressed for their stations in life, umbrellas rolled, detachable collars firmly held in place by studs and waistcoats with the bottom button undone. They wore the right ties and held the right views.

They knew what was done and what not. After six o'clock, one put on black shoes. Gentlemen and players changed in separate dressing rooms at Lord's cricket ground.

I remember asking a director of the Hamburg bank where I trained why we lost consortium business to the City. "Ah," he replied sadly, "We cheat. They play according to the rules."

The good chap was a type. The English gentleman belonged, along with the Jesuit father, the German general staff officer or the southern American planter, to a group of human beings instantly recognisable and, even more important, utterly predictable.

As Gilbert and Sullivan, whose comic operas chronicled the Victorian good chap, put it, "he never thought of thinking for himself at all", and this was his greatest advantage.

Educated at Marlborough and Balliol, he knew how "to play the game". His degree in classics helped him to learn Urdu or Swahili. He could be sent up the Zambezi or into the Indian hill country for months without orders from headquarters or modern means of communication.

He kept a straight bat, maintained no concubines and remarkably rarely took a bribe. The less he thought for himself, the more rapid his promotion.

The good chap was the product of brilliant Victorian social engineers.

They belonged to a group instantly recognisable and, even more important, utterly predictable

men like the Reverend Elijah Woodard, who founded Lancing, Ardingly, Denholm, Bloxham and countless other public (ie private) schools. These schools created the "gentleman", a social type which blurred the distinction between noble and bourgeois, a cause of revolution on the continent.

Rules were understood, not written. Hence Britain ran its affairs without those cumbersome documents known as constitutions, without state examinations to regulate the professions, without government agencies to control business and commerce.

Victorian and Edwardian governments probably produced better value for money than any governments in modern history. The system responded heroically to the challenge of two wars and the introduction of the welfare state, but it began to creak in the 1960s and 1970s. Unwritten rules turned into cosy arrangements to avoid conflict, and economic decline wrote its verdict on British performance.

Margaret Thatcher – not a good chap herself – understood that the system had to go and she dealt it every sort of blow. She hated establishments, corporate bodies and restrictive practices, closed societies and tacit understandings.

Like her great predecessor, Robespierre, she was a Jacobin democrat, the descendant of those furious Parisian shopkeepers who destroyed *ancien régime* France. She hoped that banishing the good chap would liberate Britain from the dead hand of customary rule. Her great experiment failed. The boom of the 1980s proved artificial, rouge on the cheeks of a corpse. But in forcing us to be free she centralised the state and destroyed local autonomy.

The legacy of her unfinished revolution is state power without control. Now good chaps no longer regulate themselves, nothing has taken their place. Britain has the least representative electoral system and offers its citizens the lowest civil rights of any developed state.

They have neither the written constitution and bill of rights of the Americans nor the continental system of administrative courts which protect citizens against the agencies of the state.

Sir Robin Butler may still believe in the "good chaps theory of government". The rest of us can see that it no longer works in practice.

Jonathan Steinberg

The author is reader in modern European history, Trinity Hall, Cambridge

OBSERVER

Low poll turnout

■ When Americans went to the polls yesterday, choosing the best candidates wasn't the only challenge some faced. What we must term the "vertically challenged" voters – observing all due political correctness – apparently don't get a fair crack at democracy, because they aren't tall enough to read the name at the top of the huge voting machines.

A researcher at Ohio State University has videotaped 19 people in a mock polling booth. She finds that 44 per cent did not record any vote at the top of the machine. "It was too high for shorter people to see comfortably – 67 inches from the floor. The average American woman's eye height is only 60 inches," says Susan King Roth.

This sits rather uneasily with *other* US research showing that Americans usually vote for the tallest candidate. In all but one of the presidential elections this century the taller candidate won; the exception was Jimmy Carter's victory over Gerald Ford in 1976. And look what happened to him.

Rich pickings

■ It's ironic that, at a time when increased activity and rising prices have raised the profile of commodities trading organisations, thus making them attractive to people on the lookout for acquisitions, Marc Rich should finally quit.

Rich, one of a handful of internationally-known Belgians, has built up his eponymous Marc Rich International since 1974 into a world-class trading business. In turnover terms it became Switzerland's second-biggest corporation after Nestlé.

But Rich has lost a power struggle with Willy Strothotte – now chairman and chief executive – and since March last year has been slackening his grip on the company until yesterday he sold his final 25 per cent to management and employees.

Apart from being one of the most feared adversaries in the oil and aluminium trading world, Rich is also one of the best-known fugitives from the US legal system. He was charged with tax evasion and other offences by the US authorities in 1984 and so far has refused to return to answer the charges. One spot he probably won't be spending his retirement in.

Ghost buster

■ Try as it must, Britain's new-look Labour party will have a struggle on its hands to convince the financial markets that it is not "soft" on inflation.

Take Ruth Kelly, a bright young economics writer on the Guardian, who moonlights by writing an

occasional column for Tribune, the traditional Labour party weekly.

In her latest offering there she notes that "if inflation were allowed to rise from its 27-year low in the first few years of a Labour government, with a drop in the rate pencilled in towards the end of its term, that would allow government and companies to tackle the bottlenecks in the economy and raise it on to a higher growth path, uninhibited by an *absurd* inflation constraint".

This sort of thinking is not going to shock Kelly's normal followers. For them the belief that there's nowt like a whiff of inflation to sort out the problems of the British economy is still conventional wisdom.

But it may raise a few eyebrows at the Bank of England, where she starts work on Monday morning as deputy head of its inflation report division. If people working on the inflation report do not believe in the importance of the target it is evaluating, why should anyone else?

Black deed

■ Conrad Black, chairman of the Daily Telegraph, has a way with words. Peter Jay, Britain's former ambassador to the US and former Robert Maxwell employee, told yesterday's Wall Street Journal how once, when walking next to Henry Kissinger, he was "more or less knocked to the ground physically" by Black trying to get between them.

According to the WSJ, Black describes Jay's account as "a wild bowdlerisation". Thomas Bowdler, it will be recalled, made his name by publishing an edition of Shakespeare with the dirty bits left out. Which raises the question – what was *really* going on between Black and Kissinger?

Old hat

■ Roy Hattersley, former deputy leader of Britain's Labour party, has always had a bit of a love-hate relationship with trade unions. Now he reckons that there should be a "judicial separation, if not a divorce, from the unions" to help Labour win the next general election.

A scribbler of great fecundity, Hattersley has written so much in his time it's no wonder he forgets his earlier words. Back in 1987 in his book *Choose Freedom – The Future for Democratic Socialism* he said: "We have to persuade trades unions and trade unionists that they have a vested interest in socialism and they should conduct themselves in a way that socialism requires."

Seven years on it's clear what that vested interest is – to clear off.

Dog tired

■ Exeter police have fingered a pig. It has to take part in an identity parade, they say, and sniff out its rightful owner – ownership is being contested by four people.

Of course, this problem could be avoided if yet another Japanese idea were to be rapidly imported. Japan's health ministry is now thinking of implanting identification microchips into dogs. A hand-held radio decoder – similar to technology used by shop-workers – would give instant details of the dog's owner.

This could be highly embarrassing: "Excuse me, sir, but we have a dog here claiming to be Fifi-tinkerbelle and that you are its owner..."

A FINANCIAL TIME for change
Newport

FINANCIAL TIMES
Wednesday November 9 1994

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Greece forced to delay telecoms privatisation

By Kerin Hope in Athens

Greece yesterday postponed the partial flotation of OTE, the state telecoms monopoly, because conditions on international capital markets were considered unfavourable. It would have been one the largest privatisations in the European Union this year.

Although the government said postponement of the 25 per cent flotation, set for early December and expected to raise about Dr330bn ($1.4bn), was temporary, Greek analysts believe it could now be delayed indefinitely.

Mr Yannos Papantonion, the economy minister, said: "The situation in world stock markets would not guarantee a satisfactory price for OTE shares." He said the flotation would go ahead early next year.

However, Athens-based analysts yesterday voiced doubts on whether the offering would take place, because of rising opposition to privatisation within the governing Panhellenic Socialist Movement.

The postponement was announced only a few days before CS First Boston and J. Henry Schroder Wagg, global co-ordinators and lead underwriters for the offering, were to begin three weeks of soliciting hids from investors for the issue.

A member of the Schroders' team yesterday dismissed fears the flotation might be called off, saying: "It's just a temporary delay."

Ten other international investment banks are in the underwriting syndicate for the issue's international tranche, amounting to 18 per cent of the company. National Bank of Greece, the other joint co-ordinator for the issue, is lead manager for the domestic tranche of 7 per cent.

OTE is one of only a few profitable Greek state enterprises. It reported pre-tax profits of Dr77.8bn on sales of Dr210.8bn in the first half of 1994.

However, the issue has not attracted much interest in Athens, where investors were invited to pre-register for shares last week. An Athens stockbroker said the company's growth "would be limited because the government insists the company should remain under state management".

The postponement came amid growing political tension, with Mr Papantoniou under attack hy radical Socialists intent on maintaining government control over industry.

It comes after the failure of last year's attempt by the then conservative (New Democracy) government to privatise OTE, which aimed at selling a 35 per cent stake plus management rights to an international telecoms operator and floating another 14 per cent on the Athens stock exchange.

That plan hrought down the conservative government when a group of its parliamentary deputies defected to a rightwing splinter party. The Socialists cancelled the OTE privatisation when they returned to power last October, hut revived it in a modified form a few monthe later as a revenue-raising measure.

Flotation pot at risk, Page 2

Signs of progress on plans for future of Ulster

By David Owen, Stewart Dalby and John Murray Brown in Dublin

Sir Patrick Mayhew, Northern Ireland secretary, and Mr Dick Spring, Irish foreign minister, are set to meet in the Irish Repuhlic on Monday amid signs of a breakthrough on agreeing a joint document on the province's future.

This emerged as the Irish government yesterday sought to play down its plans for the early release of IRA prisoners, announced on Monday, following an angry response from unionist politicians and warnings that it could derail the peace process.

The meeting, expected to be informal, follows the postponement of talks due last week. It will come after a meeting between British and Irish officials this Friday to resume detailed work on the so-called framework document.

Expectations are mounting that the document could he completed hy mid-December.

A meeting to discuss it last week is understood to have madeprogress on the issue of north-south relations, one of the sticking points that has impeded progress since the summer. There are also long-standing differeoces over constitutional issues, in particular Duhlin's claim over Northern Ireland enshrined in articles 2 and 3 of the Irish constitution.

A mid-December completion date would coincide with the first anniversary of the signing of the Downing Street declaration on December 15, 1993.

Two days before the anniversary, Downing Street announced yesterday, Mr John Major, the prime minister, is to launch an international investment conference in Belfast.

Irish officials said yesterday that the release of IRA prisoners did not have an immediate bearing on the framework document.

The issue is not controversial in Duhlin and Mr Albert Reynolds, the Irish prime minister, and other governmeot officials had signalled the prospect of an early release of IRA prisooers several times since the IRA ceasefire on August 31.

The Irish government's move was attacked hy the Rev Ian Paisley, leader of the Democratic Unionist party, and some British politicians. Mr Paisley claimed the British governmeot hsd a secret agenda and it was working on plans for prisoner releases of its own.

The Irish government said it would not release anyooe convicted of killing a member of the garda.

● An IRA commander in the UK was jailed for 25 years yesterday. English-born Dr Feilim O'Hadhmaill, 36, a social policy lecturer at the University of Central Lancashire, Preston, was sentenced for spearheading an IRA bombs plot in mainland Britain before the August ceasefire.

THE LEX COLUMN

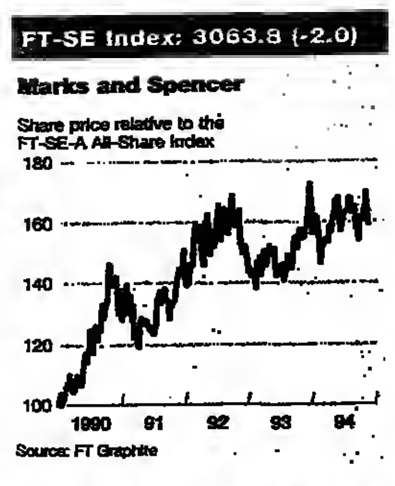
Waiting for take-off

BA's second-quarter figures were so good that for a moment the market could almost forget the continuing headache that is USAir. BA's stern cost control was again in evidence and the strong growth in business traffic brought a healthy increase in overall passenger yields. Year on year growth is bound to slow now, if only because the business traffic recovery started in the third quarter of BA's last financial year. But BA still has plenty of momentum behind it and there are even signs that tariffs are firming.

It is the size of the final hill for BA's international expansion that is the worry. Losses from France and Germany were unchanged in the first half as the flag carriers sttacked BA's Trojan horses. But it is USAir which is the immediate concern. The $500m of cost reductions being asked of the unions would barely offset its current losses and as the negotiations grind on its low-cost rivals are leaving it further behind. The real fear is not that BA will have to write off the £260m value of its stake, which it could handle comfortably. It is that USAir will slowly die, threatening the £70m of benefit BA expects this year, or that BA will feel compelled to pour more money in to keep it alive.

The loss of £8m in preference dividends will be the only pain BA will suffer from USAir in the current year which should see group profits jump hy over 40 per cent to around £430m. With the shares trading on about 11.5 times prospective earnings, it is hard to argue that they are expensive. But until there is better news from USAir they are likely to remain grounded.

FT-SE Index: 3063.8 (-2.0)



Source: FT Graphite

Marks and Spencer

At first sight, the 5.5p drop in Marks and Speocer's shares yesterday seemed a churlish reaction to a characteristically robust performance from the UK's leading retailer. After all, M&S hrushed off fierce competition to turn in a 15.1 per cent increase in pre-tax profits, ahead of brokers' best estimates. The interim results did however give rise to slight mystification over the composition of the profits.

M&S could have helped dispel this by disclosing more information about how it achieved the 15.7 per cent increase in UK operating profits. It is, for example, disingenuous on its part to claim that it cannot produce meaningful data on "like for like" sales, as other retailers do. M&S should also have disclosed more about the impact of the group's cost control programme – a central if unquantifiable factor behind the increase in operating margins. The absence of such information raises questions about the quality of the profits, taking the shine off M&S's success in increasing its share of the non-food retail market, and apparently holding its own in food.

M&S's ambitious expansion plans for the UK and cootinental Europe ensure that despite its size, growth prospects remain excellent relative to the retail sector. Yet earnings growth is not expected to outpace the market as a whole. With the shares on a 25 per cent premium, assuming pre-tax profits of £950m for the full year, this is demanding. The record and the group's financial strengths ensure that M&S is in no danger of losing its standing as a core holding within the sector. But there is better value elsewhere.

S.G. Warburg

S.G. Warburg faced two problems in the half-year to end-September: falling revennes and rising costs. Shareholders will be encouraged by yesterday's promise to remedy both. But they may be mystified abont exactly how the investment bank plans to deliver.

On the cost side, Warburg is not planning to reduce staff. And though bonuses will be lower this year than the humper payments made last year, there is no indication that the remuneration system will change. Warburg continues to pay its staff more than rival British merchant banks. But given its global ambitions, it will be hard pushed to cut remuneration much below the levels of its big US competitors. The only concrete cost-cutting measure Warburg would point to yesterday was its intention to curb investment in information technology.

On the revenue side, the bank's main hope is that dealing profits – the half year's hlack spot – will rebound. Certainly, bear markets cannot last forever. But Warburg's poor performance continued long after bond markets collapsed in February. It takes a leap of faith to believe that the group's return on equity over the medium term will average the 15-20 per cent it thinks reasonable. But the vagueness of Warburg's plans for improving its performance does not mean the shares are overvalued. When the group's 75 per cent stake in fund management group MAM is stripped out, the banking business is being valued hy the market at only £585m. One would have to take an extremely gloomy view of its prospects to argue that it is worth less.

Mercury Communications

Cable & Wireless may be furious about the fees its Mercury Communications subsidiary has to pay BT for channelling calls over its rival's network. But it is a bit rich to blame yesterday's management shake-up on the regulatory regime that governs such fees, as some in C&W are prone to. True, the system is ungainly and flawed. But Mercury has known about it for over three years. It has spent too much time complaining about the raw deal it received and not done enough to make the most of a difficult situation. Now the chickens are coming home to roost. Not only are network fees rising; BT is making sharp cuts in long distance call rates. Given that Mercury has set out its stall as little more than a discount competitor, it has had no option but to match BT's price cuts. Today's results from Cable & Wireless are expected to confirm the uncomfortahle squeeze in which it finds itself.

The management shake-up should enable Mercury to attack its cost base. The new chief executive should find it easier to cut back parts of the operation since ha was not involved in huilding it np. But cost reduction alone will not be enough to give Mercury a sustainable competitive advantage. If it is to differentiate itself from its rivals, Mercury will also need to place a much greater emphasis on innovation and improving the reliability of its service.

Widows of civil war promise peace to Sri Lankan voters

By Mervyn de Silva in Colombo

The effort to end Sri Lanka's 11-year civil war has emerged as the most important issue in the country's presidential election today in which the two main contenders are the widows of assassinated politicians.

Both women have promised peace, hut have differed sharply on how to end the revolt in the 3.2m Tamil minority community. The civil war has led to the deaths of more than 30,000 people and costs the country nearly $1m a day.

Mrs Srima Dissanayake, the opposition United National party candidate, has taken the place of her hushand, Gamini, killed a fortnight ago hy a snicide bomber, thought to have been a Tamil.

She is challenging Mrs Chandrika Kumaratunga, the populist prime minister and dominant force in the left-of-centre People's Alliance coalition which came to power after parliamentary elections in August ended 17 years of UNP rule.

Mrs Kumaratunga, whose husband was killed by a leftwing assassin in 1988, is most likely to win the contest and become the first woman to hold the most powerful post in the land, as Sri Lanka's president.


Candidate: Srima Dissanayake

Her People's Alliance government, elected partly on a "peace dividend" platform, introduced confidence-huilding measures with the Liheration Tigers of Tamil Eelam (LTTE) in the northern Jaffna peninsula. It relaxed the economic embargo, restored electricity and opened a safe travel route from the peninsula to the mainland.

It also sent a delegation to the north for talks with the rebels, though a second round was called off after Mr Dissanayake's assassination. Mrs Dissanayake has accused the government of planning a sell-out of majority Sinhalese interests and ceding territory to the Tamils.

She wants the rebels to lay down their arms before negotiating peace with them, and has accused the government of hending over backwards to please the Tigers by not naming them as suspects in the killing of her husband. "A vote for Chandrika is a vote for LTTE," opposition posters around the island proclaim.

The People's Alliance peace moves have led to the release of some prisoners, mainly policemen held by the Tamils. But the LTTE has insisted that some heavily fortified army camps should be dismantled and a ceasefire declared.

The army is strongly opposed to the LTTE demands and Mrs Kumaratunga has angered the high command by saying that soldiers are keen on peace, while senior officers are opposed to the idea.

Together with the police, the army is a large vote bank. Public servants and servicemen voted by post yesterday and the result could be a clue to the mood of the armed forces, now an important factor in the island's politics.

State of emergency declared in north Italy

Continued from Page 1

deep in water. Many areas of Piedmont and parts of inland Liguria lacked proper water supplies and electricity. Ahout 5,000 police, firemen and civil defence personnel and 7,000 volunteers were working in the disaster zone. The death toll is expected to rise, with more than 25 still missing.

Andrew Jack adds from Paris: French insurers yesterday said the total cost of the floods in the south of the country at the end of last week could exceed FFr500m ($96.3m).

Five people were reported to have died , four in Lozère and one in Corsica. Another person was still reported missing in Aveyron.

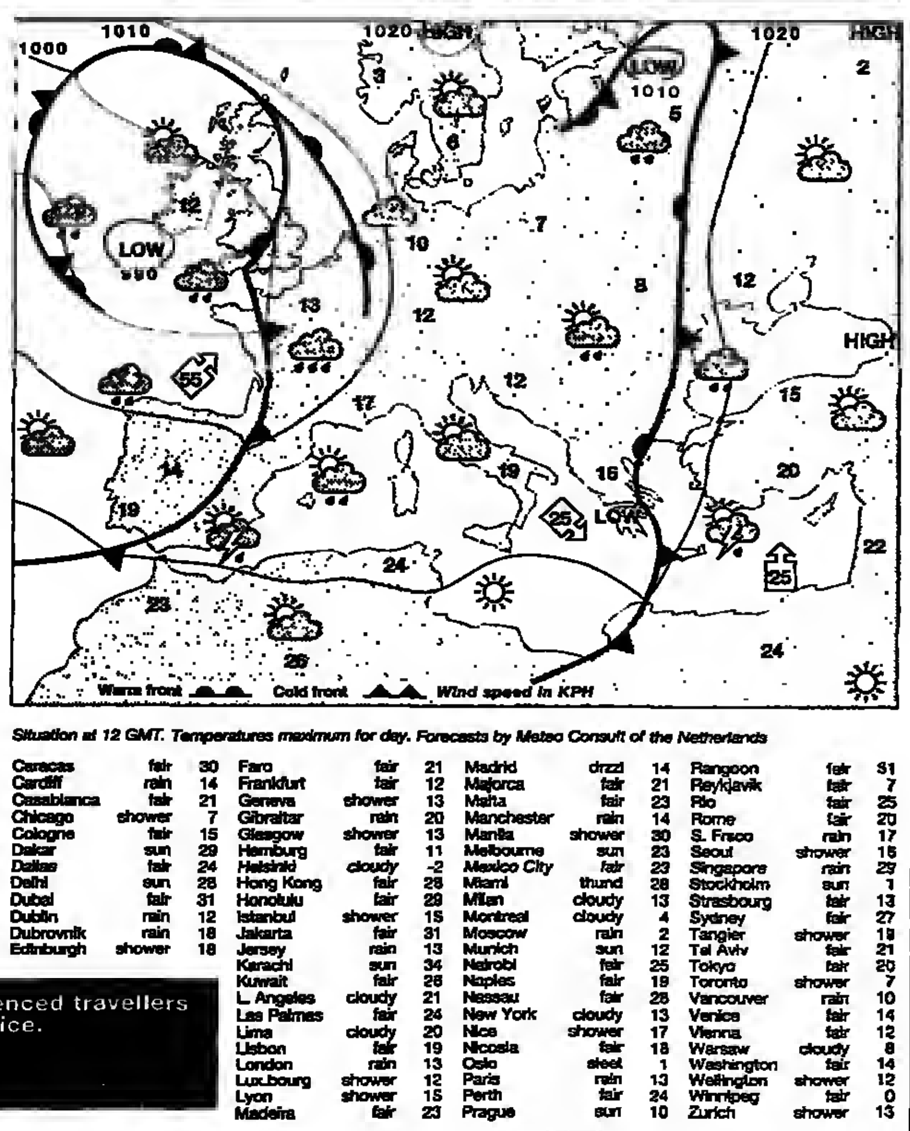
FT WEATHER GUIDE

Europe today

Low pressure south of Ireland will push warmer air into the UK on a south to south-easterly flow, producing rain over the south-east. This low will also drive colder air into France and Spain. Rain will mainly occur in western France and eastern Spain, but it will also rain in north-east Spain. Elsewhere in the UK, France and Spain, cloud will be interspersed with sun. The Benelux, Germany, Austria, Switzerland and the north-west Balkans will stay dry with some sun but the southern Balkans should have significant rain and some thunder showers. Northern Scandinavia will be cold and wintry as high pressure builds.

Five-day forecast

Former hurricane Florence will approach Europe as a new depression. Its associated fronts will make the UK unsettled at the end of the week. Cold, arctic air is expected in parts of northern Europe and its influence will extend further south. Parts of the Mediterranean will be unsettled. A lot of rain is expected in Italy and the south-west Balkans towards the weekend.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius																
			Beijing	sun	13	Caracas	fair	30	Faro	fair	21	Madrid	drzzl	14	Rangoon	fair	31
			Belfast	shower	12	Cardiff	rain	14	Frankfurt	fair	12	Majorca	fair	21	Reykjavik	fair	7
Abu Dhabi	fair	31	Belgrade	drzzl	13	Casablanca	fair	17	Geneva	shower	13	Malta	fair	23	Rio	fair	25
Accra	fair	30	Berlin	fair	10	Chicago	shower	7	Gibraltar	rain	20	Manchester	rain	14	Rome	fair	20
Algiers	fair	23	Bermuda	fair	26	Cologne	fair	15	Glasgow	shower	11	Manila	shower	30	S. Frsco	rain	17
Amsterdam	fair	13	Bogota	shower	21	Dakar	sun	29	Hamburg	fair	13	Melbourne	sun	23	Seoul	shower	15
Athens	fair	20	Bombay	fair	33	Dallas	fair	24	Helsinki	cloudy	-2	Mexico City	fair	23	Singapore	rain	29
Atlanta	fair	20	Brussels	shower	14	Delhi	sun	28	Hong Kong	fair	28	Miami	thund	28	Stockholm	sun	1
B. Aires	fair	24	Budapest	fair	11	Dubai	fair	31	Honolulu	fair	29	Milan	cloudy	13	Strasbourg	fair	13
B.ham	rain	18	C.hagen	fair	7	Dublin	rain	12	Istanbul	shower	15	Montreal	cloudy	4	Sydney	fair	27
Bangkok	fair	33	Cairo	fair	23	Dubrovnik	rain	18	Jakarta	fair	31	Moscow	rain	2	Tangier	shower	19
Barcelona	fair	18	Cape Town	shower	21	Edinburgh	shower	18	Jersey	rain	13	Munich	sun	12	Tel Aviv	fair	21
									Karachi	sun	34	Nairobi	fair	25	Tokyo	fair	20
									Kuwait	fair	28	Naples	fair	19	Toronto	shower	7
									L. Angeles	cloudy	21	Nassau	fair	28	Vancouver	rain	10
									Las Palmas	fair	24	New York	cloudy	13	Venice	fair	14
									Lima	cloudy	20	Nice	shower	17	Vienna	fair	12
									Lisbon	fair	19	Nicosia	fair	18	Warsaw	cloudy	8
									London	rain	13	Oslo	sleet	1	Washington	fair	14
									Lux.bourg	shower	12	Paris	rain	13	Wellington	shower	12
									Lyon	shower	15	Perth	fair	24	Winnipeg	fair	0
									Madeira	fair	23	Prague	sun	10	Zurich	shower	13

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August 1994
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British Telecommunications public limited company
£300,000,000
8¾% Bonds due 2020
BT Finance B.V.
U.S. $375,000,000
6½% Guaranteed Notes due 1997

August 1994
ALPS 94-1 Pass Through Trust
U.S. $782,515,000
Pass Through Certificates

July 1994
The Kingdom of Spain
U.S. $2,000,000,000
Euro-Commercial Paper Programme

June 1994
KfW International Finance Inc.
U.S. $300,000,000
7% Notes due 1999
KfW Kreditanstalt für Wiederaufbau

March 1994
Nacional Financiera, S.N.C.
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FINANCIAL TIMES SURVEY

FINLAND

Wednesday November 9 1994

A coming of age as a shadow is lifted

Hugh Carnegy assesses the impact of the country's significant decision last month to vote in favour of joining the European Union

On October 16, as the first snows of the long Nordic winter felt across much of the country, Finland accepted the most important change in tha political alignment of the nation since it achieved independence from Russia in 1917 when tha electorate voted in favour of joining the European Union.

The referendum result – acceptance of membership by a margin of 56.9 per cent to 43.1 per cent – was decisive without being overwhelming. There was little sense of drama on the day and no jubilation when the outcome was announced. Indeed, there was considerable disquiet over the way the issue had divided the country between the more urbanised south, which voted heavily Yes, and the rural, remote central and northern regions, which voted No.

But the decision was welcomed with aatisfaction and relief by the vast majority of Finland's political astablishment, the leaders of industry and the trade unions and the nation's media.

After Finland's uncomfortable neutrality in the shadow of the Soviet Union since the second world war and the hardest recession since the 1930s, stepping into the EU fold is regarded by its supporters as a vital step towards long-term strategic and economic stability. "It is a coming of age for Finland," declared Mr Paavo Lipponen, leader of the opposition Social Democratic party and, if the opinion polls are right, the man who will be prime minister after the general election next March.

For the European Union, too, Finland's entry will be a significant moment. The EU will acquire its first direct frontier with Russia in the form of the 1,270km-long Finnish-Russian border. EU territory will extend for the first time into the Arctic Circle, taking in expansive forestry resources – which will be even greater if Sweden and Norway also join.

Some uncertainties persist which contributed to the subdued mood after the referendum. Finland will be deeply disappointed if its Nordic neighhours, with which it worked closely as they all pursued their EU applications last year, vote against membership in the Swedish and Norwegian referendums on November 13 and 28 respectively.

Opponents of membership also mounted a tenacious filibuster to postpone this week's scheduled parliamentary vote needed to confirm accession until after Sweden's referendum in the hope that a Swedish No might swing enough MPs to form a blocking one-third minority. But if the government wins, as expected, Finland will join Austria as a new member of the EU on January 1 next year.

What will membership mean for Finland?

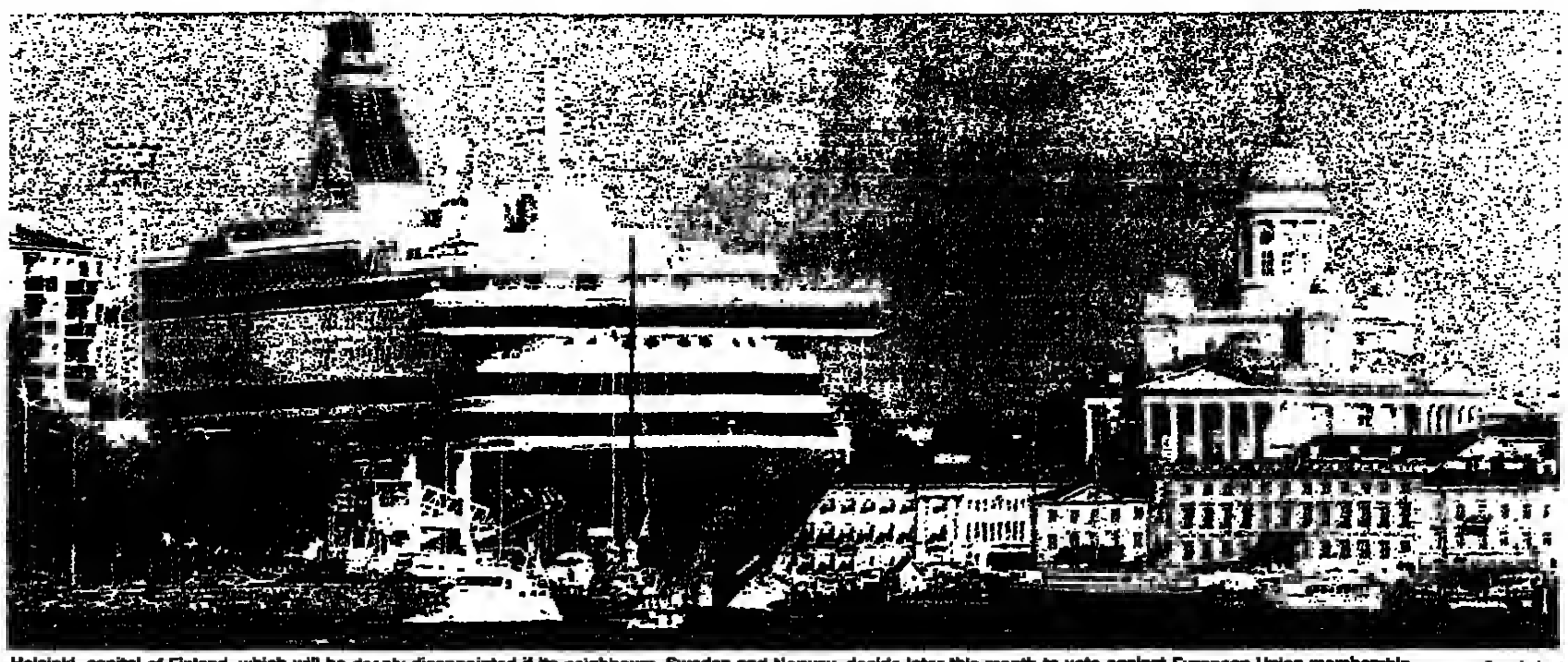
In economic terms, there are some immediate difficulties which, again, were part of the reason why tbe country reacted coolly to its decision. Above all, joining the EU is set to trigger a fall in incomes of up to 45 per cent over the next few years for Finland's influential farmers. Helsinki has long subsidised agriculture at levels well above those provided by the EU, partly to ensure the continued population of rural areas and partly as a political pay-off for support from rural communities.

But under the terms of its accession agreement, Finland must adjust immediately to the farm price regime of the common agricultural policy. Brussels rejected Helsinki's demand that the whole country be treated as a special case for subsidies because of its harsb climate. A national package of transitional supports has been outlined, but its cost, on top of Finland's "membership fee" wlll add FM10bn to government spending next year, deepening the hudget deficit.

As a member already of the European Economic Area agreement, Finland will not achieve any significant immediate economic benefit from memhership, apart from the removal of customs barriers with the EU. But the strong belief in government and industry is thet membership of the EU will serve to underpin Finland's economy just as it is pulling out of a severe recession. Between 1990 and 1993, the economy shrank hy some 15 per cent following the collapse of the Soviet Union (with which Finland enjoyed lucrative trade ties), the impact of the international recession and the collapse of a credit boom at home. Unemployment neared 20 per cent of the workforce.

An export-led recovery is now under way, producing growth this year of some 4 per cent and probably more than 5 per cent in 1995. The hope is that EU membership will help foster confidence in the economy both at home and abroad, ease long-term interest rates which presently stand at around 10 per cent and generate a much-needed revival of investment and consumption.

On the strategic front, joining the EU is of great significance for Finland, which was ruled for centuries by Sweden and then by Czarist Russia. Finland's 77 years of independence have been marked first by conflict and subsequently by cold war tensions.



Helsinki, capital of Finland, which will be deeply disappointed if its neighbours, Sweden and Norway, decide later this month to vote against European Union membership *Tony Andrews*

Finland fought several bloody wars to preserve its independence, first a battle against tbe nascent Soviet Union complicated by a simultaneous virtual civil war and then, during the second world war, an awkward struggle initially against Moscow and then against Nazi Germany. In the post-war period, Helsinkl adopted a neutral stance in which it maintained a delicate balance between its capitalist economic and instinctive cultural ties to the west and its pragmatic political and trading ties with the Soviets.

Now, Finland is taking advantage of the changed circumstances brought about by the disappearance of the Soviet Union to move firmly into the west's political and strategic orbit as an insurance policy against future threats from Russia. "No one can say Russia is a country of stability today. There is a certain hazard in Russia today, so it is a question of security," says Mr Pertti Salolainen, deputy prime minister in tbe centre-right government of Mr Esko Aho, tbe prime minister.

"The mere fact of being a member of the EU will give security because then you are untouchable militarily – without having to make any new military arrangements. The EU could never accept any aggression against one of its members," says Mr Salolainen.

Nevertbeless, Finland is treading cautiously over its strategic and military future. Helsinki bas joined Nato'a Partnership for Peace initiative. Mr Aho says the country will take up observer status in the Western European Union. In addition, Finland will participate in the EU's move under the Maastricht Treaty towards a common foreign and security policy.

But Mr Aho, mindful of Russia's continued sensibilities about the stance of a neighbour that commands the Baltic approaches to St Petersburg, says Helsinki does not intend a sudden change in Finland's military stance. "It is in the interests of the EU that the present stability in this part of the continent be preserved. We bave no intention of changing this stability and that is why we have no intention of changing our basic political orientation," Mr Aho said last month.

Instead, the prime minister likes to stress the opportunities for Finland, Russia and the EU offered by Finnish membership. He sees Finland acting as a conduit for increased trading and political links between Brussels and Moscow. "Our skills and experience in dealing with Russia will be at the disposal of the EU for the development of the Russian economy," he says.

As for Finland's stance in the evolving debate over the future structures of the EU, hoth Mr Aho, leader of the rurally-based Centre party, and Mr Lipponen say Finland will play a pragmatic role. It has accepted the Maastricht Treaty with its plans for European Monetary Union and closer political co-operation. Although some way from meeting EMU convergence targets because of the size of its public debt and budget deficit, Helsinki is committed to achieving them.

For the time being, however, all the main political parties are being careful not to become identified as belonging either to the federalist camp within the EU or the anti-federalist camp. Mr Lipponen accepts that if EMU occurs it will require closer political ties, hut he, like the prime minister, stresses the importance of avoiding over-centralisation and, ahove all, of protecting the interests and influence of the smaller nations.

In this approach, Finland will undoubtedly be joined by Sweden and Norway if they also become members. With Denmark, they would form a Nordic bloc, which is likely instinctively to resist federalist pressures.

But Finland is not comfortahle with talk of different grades of membership according to a willingness to push towards federal structures. Mr Salolainen, who as trade minister was one of Finland's negotiators with Brussals, put it thus: "They may be onion rings in the European Union, but from the outset we do not accept a situation where certain countries constitute a core and the others are outside. There must be organic development that is not artificial or imposed."

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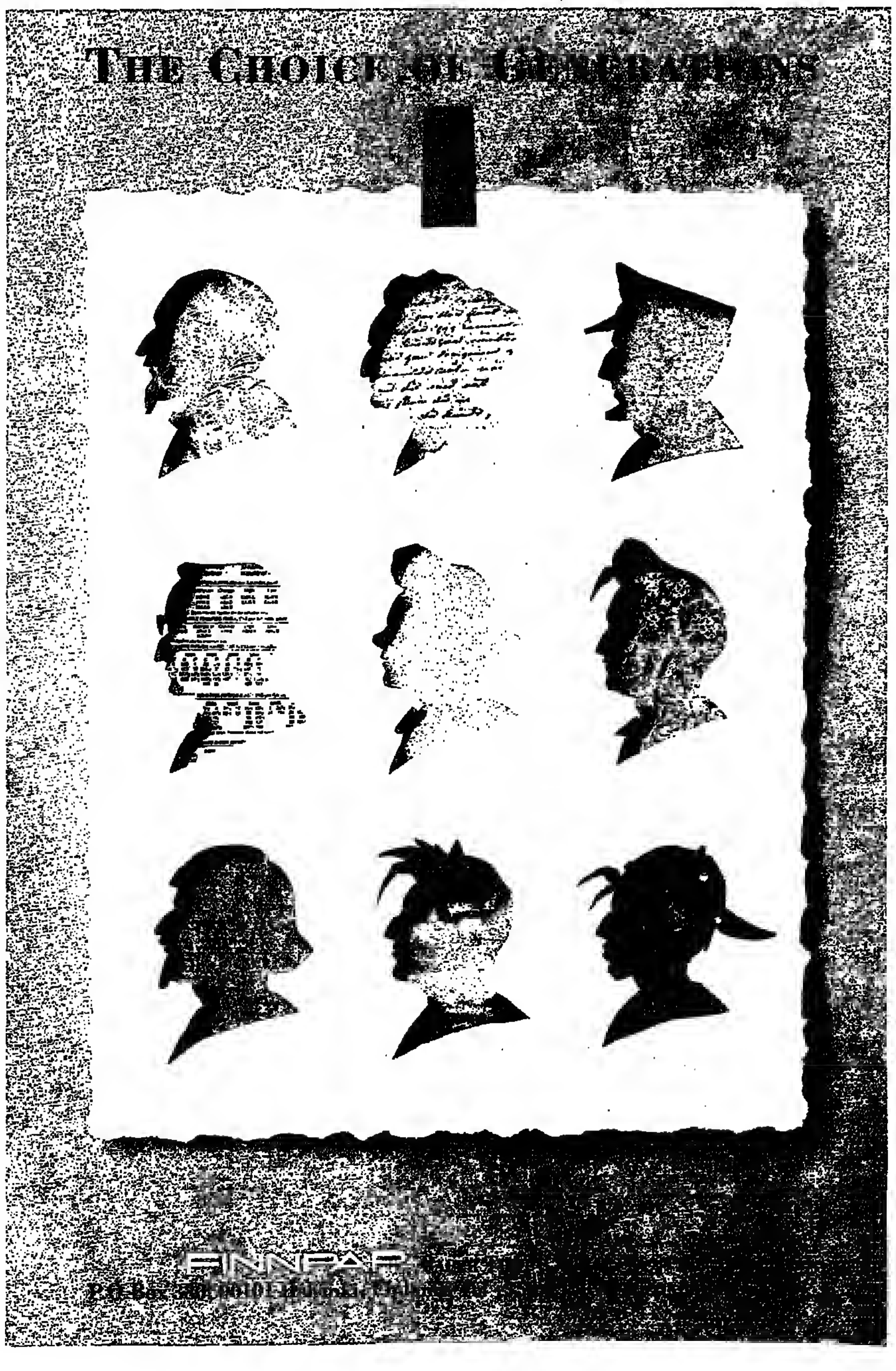


After a severe recession, the country hopes for growth of 5 per cent in 1995, writes **Hugh Carnegy**

Economic recovery starts to take root

For the first time since 1990, economic activity in Finland shows signs of reviving.

Between 1990 and 1993, the country suffered the hardest recession to have hit any member of the Organisation of Economic Co-operation and Development since the second world war.

Tbe economy, hit simultaneously by the international recession, the collapse of trade with the neighbouring Soviet Union, the bursting of a credit boom and the hurden of an expansive welfare system, shrank by some 15 per cent over the period. Unemployment shot up from 3.4 per cent of the workforce in 1990 – one of the lowest rates in Europe – to today's level of 18.5 per cent, putting Finland alongside Spain and Ireland at the top of the European jobless league.

This year, however, a recovery thet began to show itself in late 1993 has taken root. Driven by a powerful surge in exports, gross national product is set to grow by 4 per cent this year; witb domestic demand also beginning to revive, official estimates forecast up to 5 per cent growth in 1995.

"That is regarded by many economists as too cantious and I hope they are right," remarks Mr Sixten Korkman, the finance ministry's chief economist.

The sense of rekindled optimism was reinforced on October 16 wben e referendum of the electorate approved Finland's entry next year to the European Union. The result was greeted with enthusiasm by business leaders, the trade unions and most of the political establishment as an important confirmation of Finland's trading position and a spur to new investment.

"EU membership is good for our economy," says Mr Korkman. "It should help to sustain the momentum of our recovery and help to bring down long term interest rates. Investment activity should benefit because there will be more certainty about the rules of the game."

Several factors have combined to provide the turnaround. Above all, the country's exporting industries – notably the big forestry companies and manufacturers sucb as Nokia, the telecommunications group – have been able to exploit fully a pick-up in international demand, thanks to the sharp devaluations of the Finnish markka in 1991 and 1992 and productivity gains that have made them much more competitive than previously.

This year exports are set to rise by some 15 per cent over last year, producing a surplus on the balance of payments current account equivalent to 2 per cent of GDP, after 10 years of deficits.

Meanwhile, both consumption and investment are set to grow this year and next after long periods of contraction, but annual inflation is among the lowest in Europe at less than 2 per cent.

International demand has picked up, thanks to the devalued markka

The prospect of a vigorous recovery after such a tough recession has caused considerable satisfaction in Finland that the country has managed its affairs better than neighbouring Sweden. Although Sweden has suffered much less of a contraction in its economy, its recovery is threatened by a deep budget deficit and rapidly growing public debt thet have pushed up interest rates.

Finland, too, has experienced a sharp deterioration in its public finances. But under the stern guidance of Mr Iiro Viinainen, finance minister in the centre-right government, fiscal policy has been kept largely under control. State debt has gone up fast from very low levels to approaching 70 per cent of GDP. But by sticking to a policy of not allowing government spending to grow in real terms, the debt bas not reached the levels of almost 100 per cent of GDP reached in Sweden.

Even in his 1995 budget, with the unpopular government facing defeat in the Marcb general election, Mr Viinainen has pushed through a small cut in expenditure in real terms, despite having to allow for some FM10bn in net extra spending stemming from Finland's accession to the EU. Finland's debt growth will peak next year and the country should start meeting the EU's convergence criteria of budget deficits not exceeding 3 per cent of GDP by 1997.

But the optimism about the recovery is dampened by the overwbelming political and social problem posed by unemployment. Just how difficult this will be to reverse was outlined by a special commission appointed earlier this year by President Martti Ahtisaari to study the problem.

The commission concluded that to achieve a target of cutting unemployment to 200,000 from the present level of 480,000 by the year 2000 would require annual growtb of 5 per cent a year. Even if thet was achieved, unemployment would still be running at 8 per cent of the workforce.

A key factor in attaining such growth will be investment and consumption levels. Both were depressed during tbe recession. Housebold consumption was cramped hy high levels of indebtedness while public consumption has been squeezed by the need to control the public finances.

The latter will continue to be depressed. But there are now signs of reuewed privete consumption and investment is set to grow by 3 per cent this year and by 15 per cent in 1995. However, with long-term interest rates still around 10 per cent, and many bouseholds and businesses still wary of borrowing, the conditions for expansion are still limited.

The presidential commission's prescription for engendering sustained growth included more stringent spending cuts – that would inevitably cut into popular welfare provisions – a cut in marginal income tax to 50 per cent from the present rates of around 60 per cent, cuts in employers' social security contributions and a variety of labour market measures. These ranged from trade union-friendly proposals on sabbatical leave to employer-friendly measures on more flexible working hours and hire-and-fire regulations.

Members of the commission, a mix of non-overtly political academics and industrialists, clearly hoped their report would attract a political consensus behind it. It has at least achieved the merit of having set the economic agenda for the general election. But political action to enact its recommendations before then is far from certain as the Social Democratic party has so far hesitated to join the government's call for early legislation.

KEY FACTS

Area	338,000 sq km
Population	5.04 million
President	Martti Ahtisaari
Currency	Finnish Markka
Average exchange rate 1993	\$1=Fmk 5.71 £1=Fmk 3.81
Exchange rate 16 October 1994	\$1=Fmk 4.63 £1=Fmk 2.87

THE ECONOMY	1992	1993
Total GDP,(Fmk bn) [1]	475.7	478.7
Real GDP growth (%)	-3.8	-2.6
Components of GDP (%)		
Private consumption	53.5	52.4
Total investment	20.8	18.1
Government consumption	23.7	22.9
Exports	26.5	31.8
Imports	-24.5	-25.2
Annual average % growth in		
Consumer prices (%)	2.9	2.2
Manf. production (%)	2.6	4.7
Unemployment rate (%) [2]	13.0	17.7
Share price index (%) [3]	12.8	96.0
Discount rate (%) [4]	5.50	8.50
Govt. bond yield (%)	8.80	6.91
Money growth (M2)	-0.13	2.04
Reserves minus gold (\$bn)	-5.21	5.41
Trade		
Current account balance (\$bn)	-4.95	-0.98
Merchandise exports (\$bn)	23.98	23.45
Merchandise imports (\$bn)	21.19	18.05
Trade balance (\$bn)	2.79	5.40
Main trading partners (%) [5]	Exports	Imports
Germany	13.2	18.4
Sweden	11.1	10.2
UK	10.5	8.9
US	7.8	7.3
Russia	4.5	7.6
EU	46.9	47.2
Efta	17.0	19.0

(1) Current prices. (2) OECD standardised rate.
(3) FT-A index, % change year-end. (4) End period. (5) 1993.
Sources: IMF, EIU, OECD, Datastream

The effect of the trend away from conglomerates on big companies

Diversity takes some odd shapes

Like many international corporations, Finnish companies have in recent years nndergone a marked trend away from diversification. Bnt the process has still left a clutch of oddly-shaped companies wbose activities include such strange combinations as tennis racquets and cigarettes, sweets and contraceptives and diesel engines and lavatories.

Finnish companies branched out into increasingly diverse areas of industry and business in the 1970s and 1980s, partly to find ways of continuing to grow in a limited bome market and partly to take advantage of the relative lack nf foreign competition, kept out by restrictions on foreign ownership.

The rigours of recession, the falling of regulatory barriers and growing pressure to focus operations in areas where maximnm returns can be gained have meant Finnisb companies have followed the international fasbion away from conglomerates.

The most famous example is undoubtedly Nokia. Originally rooted in the forestry industry, hy the late 1980s Nokie encompassed a sprawl of businesses covering forestry, engineering, compntera and telecommunications – to name bnt a few. Its concentration since 1992 nn fixed and mobile telepbnny has reaped Nokia huge rewards (*see article below*).

Some companies have become overwhelmingly dependent on foreign markets

Other less well-known companies have followed a similar path with some snccess, becoming overwbelmingly dependent on foreign markets. Bnt they bave nevertheless remained, if no longer conglomerates, at least strangely-sbaped gronps with unlikely collectinns of interests. The following are three prominent examples:

● Amer Group. Witb annual turnover of around FM8bn, the group combines ownership of Wilson Sporting Goods, one of the world's top sports equipment labels, with concessions to sell Toyota, Citroën and Suzuki vehicles and make Philip Morris tobacco brands in Finland and a printing and publishing division.

The group was set np in the 1950s to manufacture American-style cigarettes for tbe Finnish market – hence the name Amer. Bnt Mr Seppo Ahonen, the chief executive brongbt in from Nokia two years ago, is steadily narrowing the group's focus down to sporting eqnipment and leisure products. Sporting goods already account for almost 50 per cent of group sales.

This year Amer's remaining interests in the paper industry are being sold off. Mr Ahonen, wbn announced a tbree-fold rise in pre-tax profits in the first eight months to FM135m, says he is ready to consider offers for all non-sporting goods operations, wbicb are all profitable.

If they are sold, Amer will be a company whose dominating interest is a high-profile company involved in a highly competitive and marketing-sensitive business based thousands of miles away in Chicago. But Mr Ahonen is undaunted. He sees advantages in being beadqnartered in Helsinki, guiding a business with worldwide sales. "I like the European way," be says. "I think we are prepared to give more time for long-term Investments to develop than they are in America."

● Hubtamäki. Started by Finnisb confectioner Heikki Huhtamäki in the 1920s, tbe gronp bad grown to encompass more tban 10 business areas in the early 1980s. Since then a pattern of restructuring has left Huhtamäki in three industries – confectionery, food packaging and pharmacenticals.

Like Amer, annnal sales stand around tbe FM8bn mark, witb 41 per ceot ln North America wbere the Leaf business is the third largest player in the non-cbocolate confectionery market. Leaf acconnts for more than 60 per cent of sales, followed by the Polarcnp packaging division with 25 per cent and Leiras, a company focused on contraceptives, witb 12 per cent. Group profits in the first eight months were FM309m on sales of FM5.6bn.

"We don't think of ourselves as a diversified company any more," says Mr Eero Aho, chief financial officer. "Generally speaking, we are a food company as confectionery is e brancb of tbe food industry and Polarcnp is a food service industry."

Huhtamäki does not make any attempt to pretend that tbere are great synergies between the divisions, however. And Mr Aho admits: "There is some kind of conglomerate discount in onr share price, but it is difficult to say bow much."

Bnt the group says it is happy with the shape of tbe company and has no plans for further rationalistion.

● Metra. In its present form, the group was founded in 1991 through the merger of two diversified groups, Wärtsilä and Lohja. Today it revolves around tbe Wärtsilä main businesses of diesel engines – in whicb lt is a world leader – hathroom equipment and security systems.

Diesel engines sit oddly with sanitaryware, but the latter is seen as a counter-balance

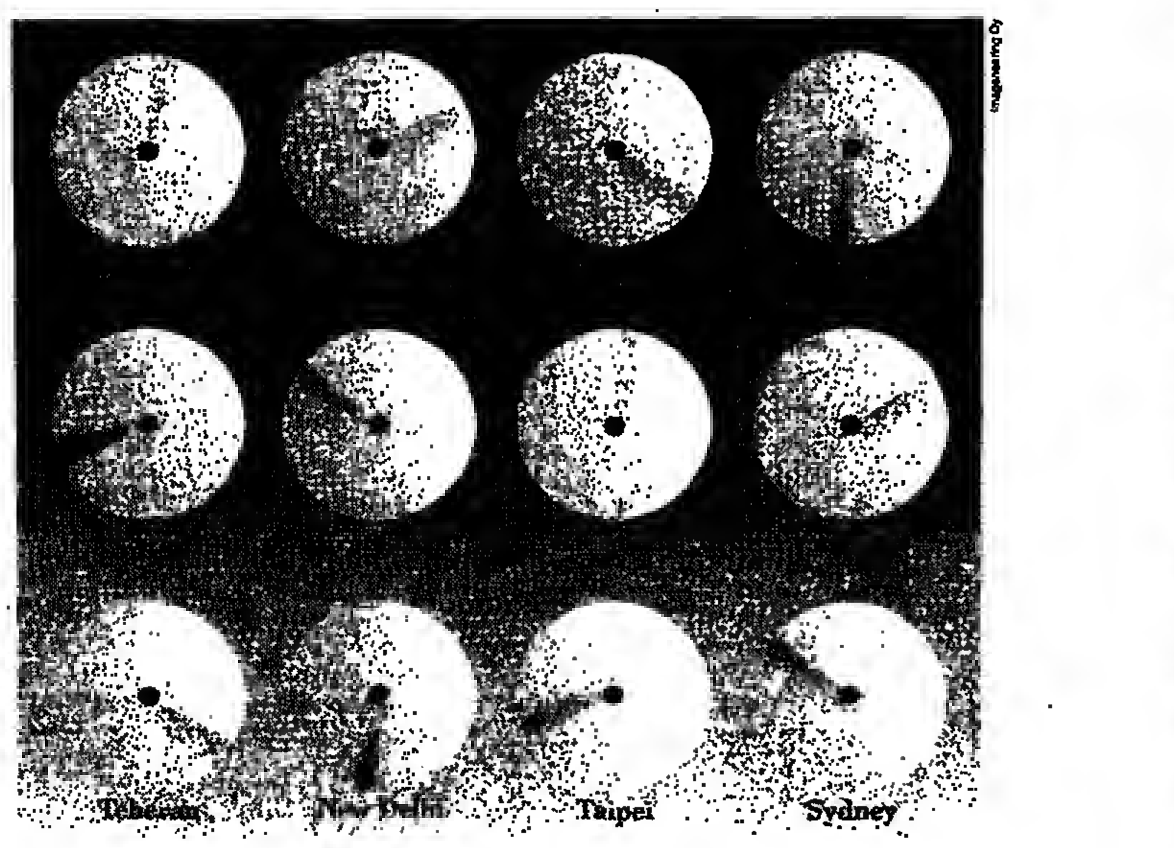
After the merger, Metra, which last year had group sales of FM9.5bn, began a process of slimming down the newly-formed group. That lnclnded divestment nf sncb diverse interests as Lohja Caravans, the largest supplier of caravans in the Nordic region, and Lohja bnilding materials operations in the US.

This year e further big step was taken wben agreement was reached to merge Abloy Security, the group's locks and security systems unit, with the lock operations of Sweden's Securitas to form AssaAbloy, in which Metra will eventually have a 40 per cent holding.

The move will leave Metra heavily welghted towards Wärtsilä diesel, which in the first eight months of this year accounted for FM3.7bn out of Metra's total sales, including Abloy, of FM7bn. The diesel operations are widely spread around the globe and Wärtsilä is a market leader in diesel generators.

It sits oddly with Sanitec, the sanitaryware operation that remains Metra's second *largest area of operations. But* with sales and profits in the diesel division hit this year by project postponements and engine line development costs, Metra can argne that a simultaneons improvement in Sanitec's profitability is a valuable counter-balance, contribnting FM195m in operating profits to tbe group's elgbt-montb operating profit of FM413m – more than Wärtsilä.

Hugh Carnegy



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Profile: NOKIA

Mobile phone success story

Finland has no other corporate success story to match Nokia. Europe's biggest manufacturer of mobile telephones has performed spectacularly over the last two years with explosive profits and sales growth driving a 15-fold rise in its share price.

The company now accounts for more than 25 per cent of the value of the Helsinki Stock Exchange. Sucb is the dominance thet its market capitalisation at around FM50bn is greeter than tbe combined value of the country's four big listed forestry groups: Repole, Kymmene, Enso-Gutzeit and Metsä-Serla. Foreigners have been particularly enthusiastic buyers of the shares and now bold more than 50 per cent of the company.

Two years ago, witb Nokia's share price languishing at less than FM50 compared witb a peak of more than FM700 this year, sucb a revival was far from predictable. At the time the group was heading for its second successive year in tbe red amid substantial losses from its troubled consumer electronics division.

Factors whicb beve driven the recovery include surging worldwide demand for Nokia's cellular equipment and mobile phoues as well as an internal reprogramming wbicb bas transformed the group from a sprawling conglomerate to a focused telecommunications company. Cost-cutting, tbe weak markka and a halting of the haemorrhage within consumer electronics have also belped.

The rapid growth in the world mobile telecommunications market has probably been the most important factor. "The two things which have helped us most have been the entry of new operators into cellular market and the shift from analogue to digital," says Mr Jorma Ollila, Nokia chief executive.

This year, for example, around 25m mobile phones are expected to be sold worldwide, well above last year's 14m. Nokia, which is tbe world's second largest mobile pbone supplier after Motorola of the US, will manufacture around 5m phones, double last year's production, to achieve a 20 per cent market share.

The outlook is no less positive. Mr Ollila forecasts that the world market for handsets will continue to increase by between 50 and 80 per cent for at least the next two years.

If growth rates like this materialise, the biggest constraint on the group could simply be its capacity to deliver. It has already had to turn away some orders. The group is tackling the problem by investing and taking on additional staff. It has recently expanded mobile pbone capacity in the US end last montb it ennounced a FM280m programme to increase phone and cellular network production at Salo in Finland.

A stategic focus has seen the group pull out of data, forestry and chemicals, while tyres may be sold off. The emphasis on telecoms is likely to continue

Tbe dominance of telecommunications within the group's business is increasing all the time. Partly this reflects the strategic focus whicb has seen the group pull out of such areas as data, forestry and chemicals. Partly it reflects the annual 50 per cent growtb in the core telecom businesses, wben tbe company's otber remaining activities – consumer electronics, cable and machinery, tyres and power – are hardly growing at all.

There is little doubt that the emphasis on telecoms will continue. Tbe trend will be reinforced by a likely disposal of tbe cable and machinery, tyre and power businesses if they fail to produce adequate cash flow. The group is already considering floating off most of its 80 per cent stake in Nokia Tyres.

By contrast, the company seems to intent on hanging onto its consumer electronics unit, which is finally within sight of profits after befty losses and considerable restructuring over tbe lest three yeers. Retaining the operation will assist its ambitions to build a presence in multimedia.

The group's confidence is reflected in the increasingly global scale of its activities and its readiness to take on some of its toughest competitors in their home markets. In Japan, for example, the group talks of capturing a 25 per cent digital market share by 1996 despite tough competition from domestic manufacturers.

The going has been tougher in the US, wbere the company has been hampered by a relatively low profile and a poor distribution system. But opportunities will increase in the US market witb the planned auction of broadband licences next year.

In any case, the group's US profile was lifted in the summer when it became the first Finnisb company to list its shares on tbe New York Stock Excbange. This was after it had raised FM2.4bn in tbe largest international sbare issue ever made by a Finnisb company.

The group's main problem now will be to meet the market's high expectations of it. Its capacity for pleasant surprises was on display again recently when it announced a near-five-fold surge in pre-tax profits to FM2.29bn for tbe first eight months, comfortably ahead of market predictions. Net sales were FM18.2bn, a 40 per cent increase adjusted for currencies and restructuring.

One danger is tbat bigger competitors witb greater resources will pusb Nokia aside through technical innovation.

As analysts from Lehman brothers said recently: "Nokia operates in the world telecommunications market alongside significantly larger competitors ... Many of tbese companies spend more in absolute terms on R & D than Nokia."

Another danger is that the group will simply not be able to manage its growth, becoming cumbersome and bureaucratic wbere until now it has been fast and flexible. This, for Mr Ollila, appears to be the greater threat and he has made the achievement of disciplined growth one of his main priorities.

Christopher Brown-Humes

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Profile: INVEST IN FINLAND BUREAU

A chance to catch up

Few people in Finland can have had more reason to celebrate the October 16 decision to join the European Union than Mr Nils-Christian Berg, head of the government's Invest in Finland Bureau, writes Hugh Carnegy.

The bureau is charged with attracting direct foreign investment to the country, so a referendum vote to stay outside the EU would have been a severe handicap to its work. Finland already lags far behind most of Europe's smaller peripheral countries in winning inward investment. Inclusion in the inner circle of the continent's top political and economic club is a vital step if Finland is to catch up.

"We have made several surveys outside Europe – notably in the US and Japan – and we can clearly see that for a country like Japan it is a must for us to be in the EU before companies even think about investing in Finland," says Mr Berg. "They want you to be inside the EU market. That is a fact and you cannot overcome it any other way except by joining."

Now that Finland is set to become an EU member from January 1 – barring unforeseen obstacles in parliament – the Invest in Finland Bureau can get on with its job with much greater assurance and confidence. It faces a formidable task.

The bureau was set up only in 1992, long after Ireland, Portugal and Scotland, for instance, had established sophisticated agencies to pursue foreign investment, armed with alluring inducements in the form of generous tax breaks, subsidies and other incentives.

Indeed, while such countries were attracting multinational corporations to their shores in the 1980s, Finland maintained barriers against foreign investment, requiring any foreign investor to gain government or, in some cases, parliamentary approval for the acquisition of more than 20 per cent of a Finnish company. The last of these restrictions was dropped as recently as the beginning of 1993.

Big names such as Asea Brown Boveri, the Swiss/Swedish engineering giant, Sweden's Saab Automobile, Norway's Kvaerner and Britain's British-American Tobacco have established a presence in Finland, but the list is not long.

Mr Berg's mission is to make sure that the list now starts to grow. The extent to which he is successful will be an important element in restoring long-term growth to an economy deeply scarred by recession. At last Finland realises that it can no longer rely on protected home industries and a privileged trade with a Soviet Union that no longer exists to sustain employment levels.

> The bureau's sales pitch is that Finland is the hub of this new region

The Invest in Finland Bureau is not attempting to lure foreign investors with state incentives. Instead, it seeks to establish Finland as a centre for investment in what Mr Berg calls "New Northern Europe". Central to this concept is the geographical proximity and established trading links that Finland has with other industrialised Nordic countries to the west and with the newly emerging markets of the Baltic countries and Russia to the east.

The bureau describes New Northern Europe as a region of 80m people, including more than 40m in north-west Russia. The bureau's sales pitch is that Finland has all the geographic, economic, legal and cultural attributes to be the hub of this region as its new markets take off. The most important of these could well be St Petersburg, with its population of 8m, just 150km across the Finnish border.

"Finland is the only place that can reach and deliver throughout this region within 24 hours," says Mr Berg.

The obvious potential weakness in this argument is that the concept may make more sense in theory than in reality as western companies either prefer to invest directly in Russia and the Baltics, or may shy away altogether from such uncertain and unstable countries.

But Mr Berg insists that Finland is already becoming a popular stepping stone for doing business in Russia. A number of western companies operating in St Petersburg use Finland for forwarding mail and as a telecommunications pivot. The bureau says western investors and Russians alike can benefit from setting up joint ventures in Finland, where the legal structures lacking in Russia are in place and transparency is assured.

Mr Berg says using Finland as a base can help speed up approval of projects from financial backers such as the European Bank of Reconstruction and Development, which worry about the security of such investments.

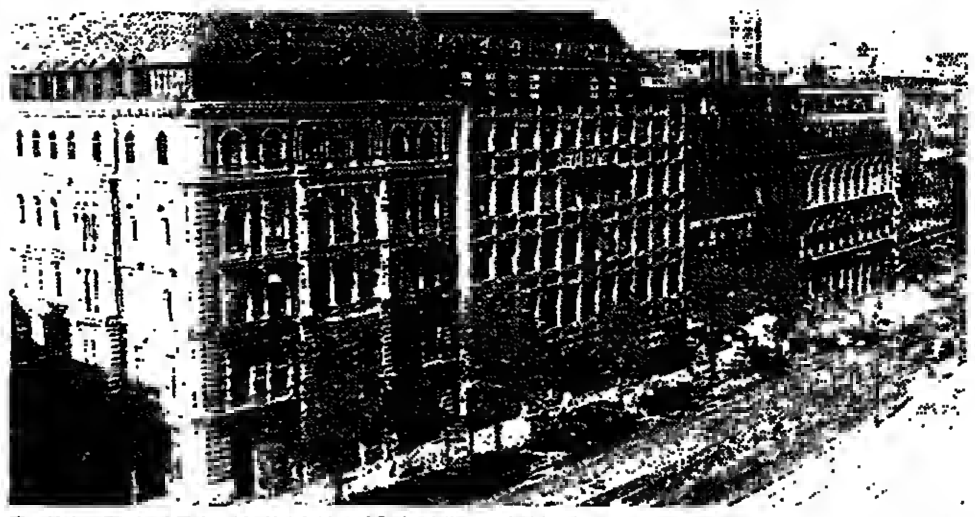
Above all, Finland believes it can offer the benefit of experience and contacts in Russia gained by Finnish companies. "Finland has always traded with Russia – long before the creation of the Soviet Union," says Mr Berg. "In Czarist times, when we were ruled by Russia, Finland was a conduit for trade with the west."

He cites a joint venture project involving Conoco of the US in oil production in Ardalin, western Siberia. The US$400m project was in danger of falling behind schedule last year because Conoco ran into problems inbuilding the infrastructure of roads, dwellings and rigs. The Finnish contractor YIT was brought in to help and got the project back on schedule.

But to foster more such success stories, the Invest in Finland Bureau must first reverse the old image Finland has of being hostile to foreign investors. Being a member of the EU will help. But Mr Berg has a big marketing task ahead of him. As one of the bureau's own brochures candidly admits: "Not many people know ... the place to invest in now is Finland."

Hugh Carnegy reports on the banking sector

The bad news may be over



The Union Bank of Finland in Helsinki and (below) the central bank

Tony Andrews

Finland's battered banks are still struggling to overcome the huge credit losses which engulfed them two years ago. But though the path to recovery is long and hard, the banks are sticking to their forecasts of a return to profit next year or in 1996 at the latest.

Overall, the Finnish Bankers' Association expects the sector's total losses in 1994 to be about two-thirds of the FM13bn deficit run up in 1993 – which was in turn a sharp improvement on the worst year, 1992, when losses exceeded FM20bn.

This year has been a frustrating one. In the early months, there was a burst of optimism as interest rates tumbled and Finland's economy began to emerge from severe recession. But a jump in long-term interest rates over the summer, the resultant turbulence in bond markets and additional credit losses slowed down the banks' recovery process.

Finland's banks fell victims to a wicked combination of circumstances in the early 1990s. The recession, which hit elsewhere in Europe, was deepened by the loss of the country's big trade with the Soviet Union. The slump exploded a frantic credit boom which had been fuelled by financial deregulation. As interest rates shot up and asset values collapsed, hundreds of companies were forced into bankruptcy, particularly in real estate, construction, trading and tourism.

> The banks are still burdened by credit losses – and vulnerable to unexpected twists in the economy

By the end of 1993, the banks as a whole had non-performing assets of FM53bn, only slightly less than a year earlier. This was after write-offs of FM16.5bn – equivalent to 5.2 per cent of average balance sheets. In 1992, the banks had been forced to write off FM22bn.

Most leading figures in the banking sector say the worst is now over. Mr Pertti Voutilainen, chairman of Kansallis-Osake-Pankki, the leading commercial bank, summed up the position facing his bank: "I think we have come to the situation where we know where we stand. The worst risks have already been written off, so when the economy gets better – and it has turned around – that will help us to return to profit."

But KOP's own difficulties this year highlight how heavily the banks are still burdened by credit losses – and how vulnerable they are to unexpected twists in the economy.

KOP announced a new bad loan charge of FM800m in its eight-month results, triggered by problems in the construction company Puolimatka. This pushed credit losses in the period up to FM1.67bn, not far below last year's loss at the same stage of FM1.96bn. Meanwhile, a FM150m loss in bond trading helped push net income from financial operations down 7 per cent to FM1.48bn.

Overall, KOP's operating losses in the first eight months rose to FM1.3bn from FM869m. The bank has been forced into a further round of fundraising to strengthen a capital base drained far beyond the expectations of most shareholders. It has launched a FM2bn share issue and the sale of FM1bn in assets this autumn, on top of share issues last year worth FM2bn and hefty bonds issues.

In the case of Unitas, the main rival to KOP, credit losses rose by FM137m in the first eight months to FM1.82bn compared with the same period last year, due mainly to the collapse earlier in the year of two companies – a construction group called Haka and Eka, a retail and wholesale group.

But, like KOP, Unitas insists that all the bad news is now known and accounted for. The bank says credit losses in the last four months of the year will be sufficiently reduced to make overall loan losses for the year less than those of last year. Unitas expects to halve last year's overall pre-tax loss of FM2.57bn and hopes to break even in 1995. KOP still forecasts a profit in 1995.

Although borrowing demand remains low in Finland, Mr Vesa Vainio, the president of Unitas, believes the country's return to significant growth – GNP is expected to rise by 5 per cent next year – and its entry into the European Union will trigger more investment. "We are still on the track we estimated," says Mr Vainio. "I am quite confident the worst is over."

Part of the dogged optimism shown by the banks is due to their belief that a significant post-crisis restructuring of the bank sector will work to their benefit. At the end of 1993, the government sold off the savings banks of Finland in four equal parts to KOP, Unitas, state-owned Postipanki and Okobank, the umbrella bank of the country's big co-operative bank sector.

The SBF and Skopbank, which acted as a central bank for the savings banks, were taken over by the state at the height of the loan loss crisis and swallowed most of the FM60bn that the government was forced to pledge to keep the banking system afloat. After transferring FM40bn in non-performing SBF assets to Arsenal, a specially created state "bad bank", the government parcelled out the rest of the FM86bn in SBF assets to the four main players.

> The banks believe that a significant post-crisis restructuring of the sector will work to their benefit

The effect has been a significant boost in customer base and assets for the buyers, combined with a narrowing of competition. Mr Voutilainen says this has helped restore interest rate spreads which previously were extremely tight. "The competition situation is much sounder – it is causing less damage to the banks," he says.

Certainly, the rationalisation has reinforced an overdue trend to slim down the banking sector. The recipient banks were free to close SBF branches they acquired and in many cases have done so. The Bankers Association says the numbers now employed in banking have fallen to 37,000 from 53,000 in 1989 and will fall further to around 30,000. Meanwhile, the number of bank branches has contracted by almost 900 to 2,500.

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partek Convertible Subordinated Bond Issue FIM 170 million Co-Lead Manager May 1994	Den norske Bank Rights Issue NOK 1,340 million Co-Manager May 1994	Convertible Bond Issue DKK 385 million Lead Manager and Underwriter June 1994
SAS Divestment of SAS Service Partner (airline catering) to Swissair Adviser to SAS August 1994	CHARTER Public Offer for The ESAB GROUP SEK 3,380 million Adviser to Charter August 1994	YIT-YHTYMÄ OY Public Offer for YIT-Kiinteistöt Oy FIM 110 million Adviser to YIT-Yhtymä October 1994

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Profile: PAAVO LIPPONEN

Liberal who may be next prime minister

If the opinion polls prove correct, Finland's next prime minister will be Mr Paavo Lipponen, the personable and pragmatic leader of the Social Democratic party (SDP).

The Social Democrats were the losers in the last general election in 1991, winning just 22 per cent of the national vote. The government was formed by the Centre party led by Mr Esko Aho, now prime minister, which surged ahead to win 25 per cent of the vote and forged a coalition with the Conservative party – which had been in coalition with the SDP – and the small Swedish People's party and the Christian League.

But under the leadership of Mr Lipponen, who took over from Mr Ulf Sundqvist as party leader last year, the SDP has consolidated a rebound in the polls which has shown the party winning well over 30 per cent support throughout this year.

With the incumbent government, suffering in popularity because of the deep recession and high unemployment, the Social Democrats are now widely expected to lead the new government after the election dne in March next year. At this stage, the party is reluctant to speculate on the shape of an SDP-led coalition – which could include either or both the Centre and Conservative parties. But the one certainty is that it would be headed by Mr Lipponen.

A political scientist and journalist by profession, 53-year old Mr Lipponen is a Social Democrat who, like many of his left-of-centre colleagues in Europe, has moved his party significantly away from old-style western European socialism to embrace market reforms to achieve a "citizen's society". A keen advocate of Finnish membership of the European Union, he summed up his position in an article published during the EU referendum campaign.

"An efficient market economy adhering within the context of the EU to the basic values of Nordic welfare states will produce a better society of citizens in Finland," he wrote.

In an interview for this survey, Mr Lipponen explained his approach further. "I am a liberal in the sense that I believe people have really suffered because of a lack of competition. Wa need a real paradigm change. Ours has been an economy of big companies, big co-operatives, big banks, big wholesale companies and, if you like, big government. There hasn't been a role for a citizen's society."

Paavo Lipponen: moved party from socialism to market reforms

His remedy for unemployment, the country's biggest political and social problem, is therefore uneqnivocally reformist. He readily accepts that his aim is to foster a more entrepreneurial climate in Finland. "Yes, absolntaly," he says. "It is a question of getting unemployment down. The public sector cannot employ more people and the export sector is already efficient. So it is mainly in the small service companies that future employment will come. We have to get more flexibility and reduce labour costs – and social security costs."

But if Mr Lipponen's message contains elements more familiar from tha right-of-centre in recent years, he still offers a distinct policy change from the present government. He is especially critical of the coalition's record on unemployment, saying the failure to provide training schemes for more than one-fifth of the almost 500,000 unemployed has been a "waste of human capital".

He attacks the government's protection of Finland's highly subsidised farmers and the maintainance of subsidies to industry – especially the big and once again profitable forestry industry. These are areas where he believes savings can be made to help trim Finland's budget deficit and control a state debt set to reach the equivalent of 70 per cent of gross domestic policy next year.

His approach is also to defend the basic structure of the country's welfare system which, like those of neighbouring Sweden and Norway, far exceeds most in Europe in the extent of benefits it offers. His intention is to carry vital interest groups such as the trade unions with him when it comes to reforms by involving them in the changes. "I'm sure the elected members of the trade unions know what is needed. It is just that they need to feel the policies are fair and just."

As prime minister, Mr Lipponen would play a key role – along with President Martti Ahtisaari – in framing Finland's positions in the EU's vital 1996 Intergovernmental Conference on the future shape of the union. A former head of the Finnish Institute of International Affairs, he is at ease – but cautious – in discussing such tricky topics.

"Finland should not take any dogmatic line in the debate between the federalists and the anti-federalists. That way we would lose our influence," he says. "European Monetary Union has to come sooner or later and if it comes you need greater political integration. But there is a need to guarantee the influence of national parliaments. Subsidiarity should be made to work."

Hugh Carnegy

Christopher Brown-Humes on the likely impact of joining Europe

Agriculture faces shake-up

Heavily protected and generously subsidised for years, Finnish agriculture has looked ripe for a shake-up for a long time. The crunch will finally come on January 1 with European Union membership.

Producer prices will fall by as much as 50 per cent in an overnight alignment with European levels. There will be compensation, but average incomes will still fall by at least 10 per cent. In the longer term, as transitional payments are phased out, the pain will increase, threatening a big wave of restructuring in three to five years' time.

With this sort of future ahead, it is not surprising that farmers were at the heart of the campaign against Finnish EU membership. Their economic argument was relativeıy weak – after all, farmers account for only 7 per cent of the working population and as little as 2.5 per cent of gross domestic product. What counted far more were the psychological and political factors.

Psychologically, the farmers benefited from the Finnisb population's strong attachment to the countryside – 35 per cent of the country's inhabitants still live in rural areas – and a security-related reluctance to see large areas of the country being depopulated.

Politically, they were helped by the fact that the Centre party, the dominant power in the centre-right coalition government, has traditionally drawn much of its support from rural areas.

The irony is that despite the importance Finland gave to agriculture in its EU negotiations – no other issue received greater emphasis – the farmers ended up getting a deal which even EU supporters felt could have been better. The Finns complain thet this was partly because neighbouring Sweden, which radically overhauled its farm support system in 1990, did not make an issue out of agriculture in its own EU accession talks.

Finland's settlement allows it to provide farming support over a five-year transitional period in return for accepting immediata price alignment. Next year's aid will be worth around FM5.65bn, FM1.8bn less than would be needed to make up the entire income shortfall.

Tha immediate adjustment to EU prices, together with the scrapping of import controls, is one of the main grievances of the MTK, the farmers' union. The MTK believes a transitional regime, with prices being lowered gradually over a five-year period, would have helped farmers to adapt and plan ahead.

Farming in the countryside near Salo — Tony Andrews

Its second complaint is over the way the country has been carved up into different areas qualifying for different amounts of support. Around 53 per cent of the country's arable land qualifies for assistance under a special "Nordic" category, while 85 per cent has been designated a so-called Less Favourable Area (LFA). Both areas qualify for subsidies on top of normal EU price support. Excluded, however, from either category is 15 per cent of the country in the south, where most of the country's cereal and vegetable production is based.

According to Mr Antti Haavisto, MTK director of trade policy, the designations are completely arbitrary. "Neither line has any justification in terms of agricultural conditions. It's a lottery," be argues.

The situation is unfair, say the Finns, because thousands of farms in more productive areas of the EU further south are treated more generously since they are part of LFAs. The MTK says a farm in Schleswig-Holstein in Germany, with an average yield of 6.8 tonnes per hectare, could end up getting three times the support available to a farmar in southern Finland, where the yield is 3.1 tonnes.

The final grievance is the uncertainty that still remains. Even though the overall sums have been agreed and a general payment mechanism outlined, it is still not clear how much individual farmers will receive and when. Part of the reason for the delay is that the package has to be approved by tha European Commission. If it is rejected, the farmers frustration will only grow further.

Mr Mikko Pesälä, agriculture minister and a member of the Centre party, is confident of EU backing. But, acknowledging the uncertainty, ha says his "top priority is to ensure the national support measures are applied in January".

The transitional support measures should cushion farmers from the worst effects of the abrupt changes, at least initially. However, life for farmers in tha south of the country could become very much tougher towards the end of the transitional period if Finland cannot grant them support under article 141 of the commission's code covering serious economic hardship. This has still to be negotiated.

In any case, it is hard to believe there would not have been a clampdown on agricultural support, even if Finland had remained outside the EU. Many feel that farmers have been cossetted at the taxpayer's expense for too long and they will be glad to see food prices fall. Domestic budgetary pressures would almost certainly have forced the issue – sooner rather than later, if Finland had rejected EU membership and the farmers were blamed.

The point is that everyone expects the number of farms to shrink as tha sector consolidates towards the end of the decade. Mr Pesälä says he expects the number of farms to fall to 70,000 within 10 years from 120,000 today, at the same time as the average farm size rises from 20 to 30 hectares. He hopes those who stay the course will be able to compensate for the drop in their incomes through lower costs and advantages of scale.

Nobody cares if the country relies on its forests when things go well

Pulp and paper near peak

The fortunes of the Finnish aconomy are inextricably linked to the health of the country's pulp and paper sector. It is no accident that both are pulling strongly out of a slump at the same time. Forestry accounts for 36 per cent of Finnish exports and its success has done much to promote the country's export-driven revival over the past two years.

This overdependence on one industry is widely acknowledged but critics find it harder to make their case when things are going well. And, right now, things are going well.

In 1994 the Finnish pulp and paper sector will produce total profits of about FM5bn – a massive improvement on last year's break-even level. At the eight-month stage the country's four big quoted forestry groups, Repola, Kymmene, Enso-Gutzeit and Metsä-Serla, produced combined pre-tax profits of FM2.9bn, compared with a loss of FM64m in the same 1993 period.

Although combined operating profits at FM5.52bn were higher than FM4.49bn in 1993, the major componant of the improvement has been a reduction in financial costs. Debts are lower, average interest rates are down, and there have not been any big currency losses.

At the operating level, a number of conflicting influences are at work. On the positive side, demand has risan strongly, driving up operating rates, and prices are increasing across all product lines. On tha negative side, there has been a significant strengthening of the markka and wood and waste paper costs have risen sharply.

Pulp and fine paper producers will undoubtedly benefit, with pulp prices up 80 per cent and fine paper prices around 50 per cent higher. But in other product lines – publication papers, for example – tbe strooger markka and higher costs will outweigh the impact of increased demand and prices, leaving earnings in markka terms lower than in 1993.

Even so, there is no doubt that the pulp and paper sector is on the way to its next cyclical peak. Finland with its modern machines, its value-added emphasis, its stringent cost-cutting during tbe downturn and its still weak currency, is well positioned to benefit.

Mr Jarl Köhler, head of the Finnish forest industries federation, cautions against over-optimism, saying profits this year will still fall short of the FM7bn level which he calls "normal". Past experience shows that gains can easily be squandered, he warns.

It is a question both of costs and strategy. Can companies keep wood costs down? Can they keep wages down? Will they restrict investment?

The 1991-92 downturn in the Finnish forestry sector was undoubtedly exacerbated by a huge corporata investment spree in the late 1980s which drove debt up sharply. Companies invested as much as 20 per cent of their annual turnover to create the world's biggest and most modern paper and board machines. When the markka fell by 30 per cant between 1991 and 1993, the cost of servicing tha foreign portion of the debt rose sharply.

The Kymi paper mill at Kuusankoski, outside Helsinki — Tony Andrews

The situation is improving rapidly due to consolidation, increased cash flow and reduced investment. But debt as a percentage of turnover is still around 75 per cent – down from a peak of 110 per cent but still higher than rivals in Canada and Sweden.

"The Finnish companies' most important task is to get their capital structure in a better condition. Debts must be paid back," says Professor Eero Artto of the Helsinki School of Economics.

However, it remains to be seen whether the big companies have learned their lesson. Ironically, the late 1980s investment programmes, widely castigated as over-ambitious at the bottom of the cycle, are now giving the Finns a real competitive advantage. Will they be tempted to go on another binge?

So far, the signs are encouraging. Most current investment programmes involve upgrading and are designed to ease bottlenecks and add value rather than increase capacity. A significant exception is a FM3bn project to build a new pulp mill at Rauma in the west of the country.

In any case the constraints will be greater. Greater levels of foreign ownership maan company strategies are being viewed more critically, says Mr Jukka Huuskonen, a forestry analysts with Protos Securities. Ha believes EU membership will force companies to keep costs under control to remain competitive. In the longer term, EU membership will take Finland along the path to monetary union so it will be unable to devalue its currency (as it has in the past) simply to rescne its forestry sector.

There is, on the other hand, a strong chance that expansion will come through acquisition rather than investment. Enso-Gntzeit has just agreed to buy a 35 per cent stake in Veitsiluoto, the country's fifth largest pulp and paper group, for FM1.5bn, in a move which significantly strengthens its operations in fine papers and light-weight coated (LWC) magazine paper.

The move in effect involves a switching of assets between one arm of the state and another as the state owns 91 per cent of Veitsiluoto and 52 per cent of the votes in Enso. Logic suggests Enso will acquire the state's remaining staka in Veitsiluoto as and when the government decides to sell.

A much bigger merger involving Finland's two biggest forestry groups, United Paper Mills (the main unit in Repola) and Kymmene, was almost clinched during the summer. This would have created a company as big as Stora, the Swedish group which is currently Europe's largest pulp and paper producer. The plan is understood to have foundered because Kymmene's main owners were unhappy with the valuation placed on the company. Rumours have since circulated that the deal might be revived, although there have also been suggestions that the two companies are seeking other partners.

A big question will be whether Finnish groups seek to expand at home or abroad. Already 26 per cent of the forastry industry's prodnction capacity is based abroad – most of it in Europe near the big markets and sources of recycled material. There was always a dangar that more investments would have been directed towards Europe if the country had voted to stay outside the EU.

Christopher Brown-Humes

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Convertible Bonds 2004 raising
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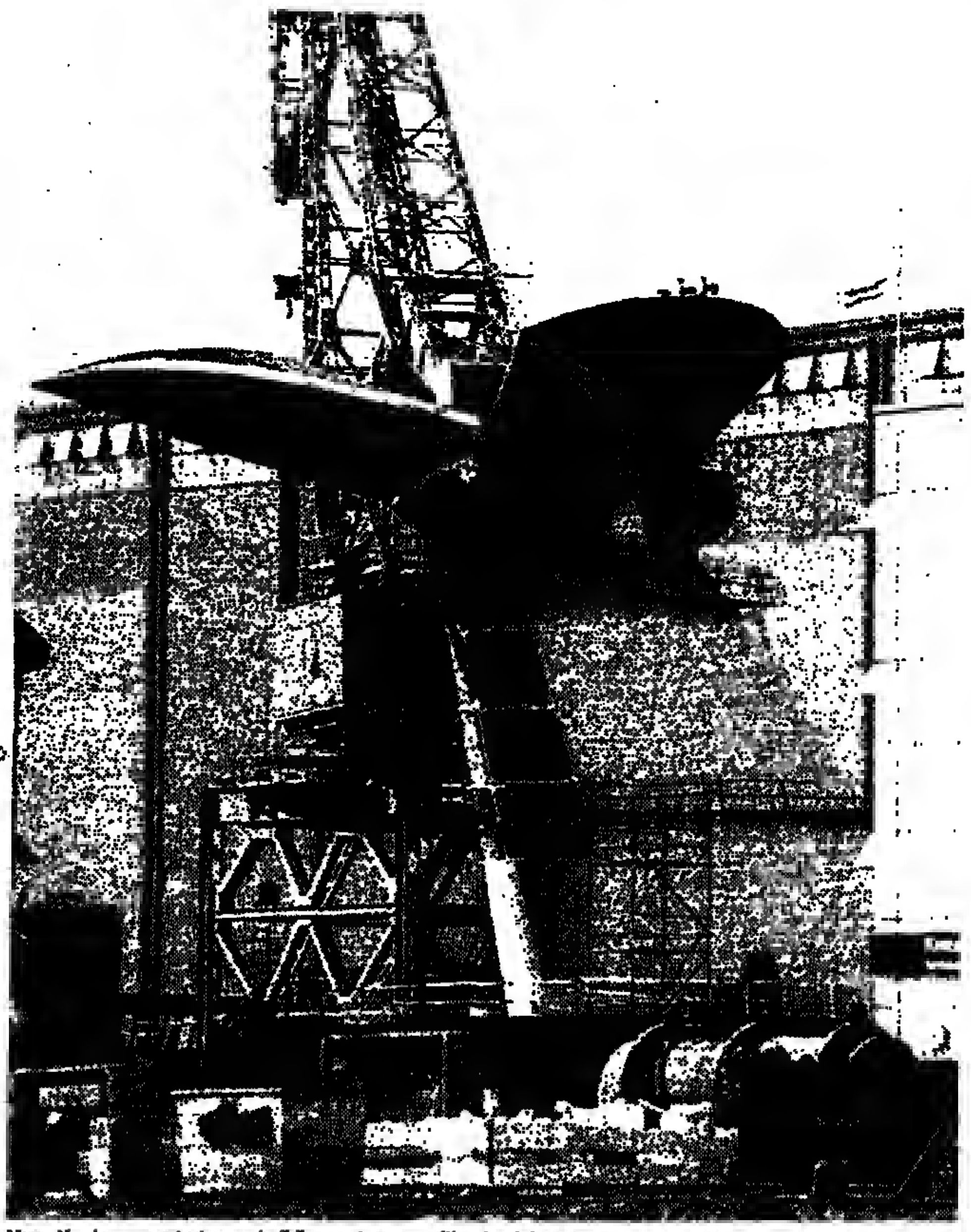
Profile: MASA-YARDS

Specialist shuns subsidies



Masa-Yards concentrates on building a strong position in niche areas Tony Andrews

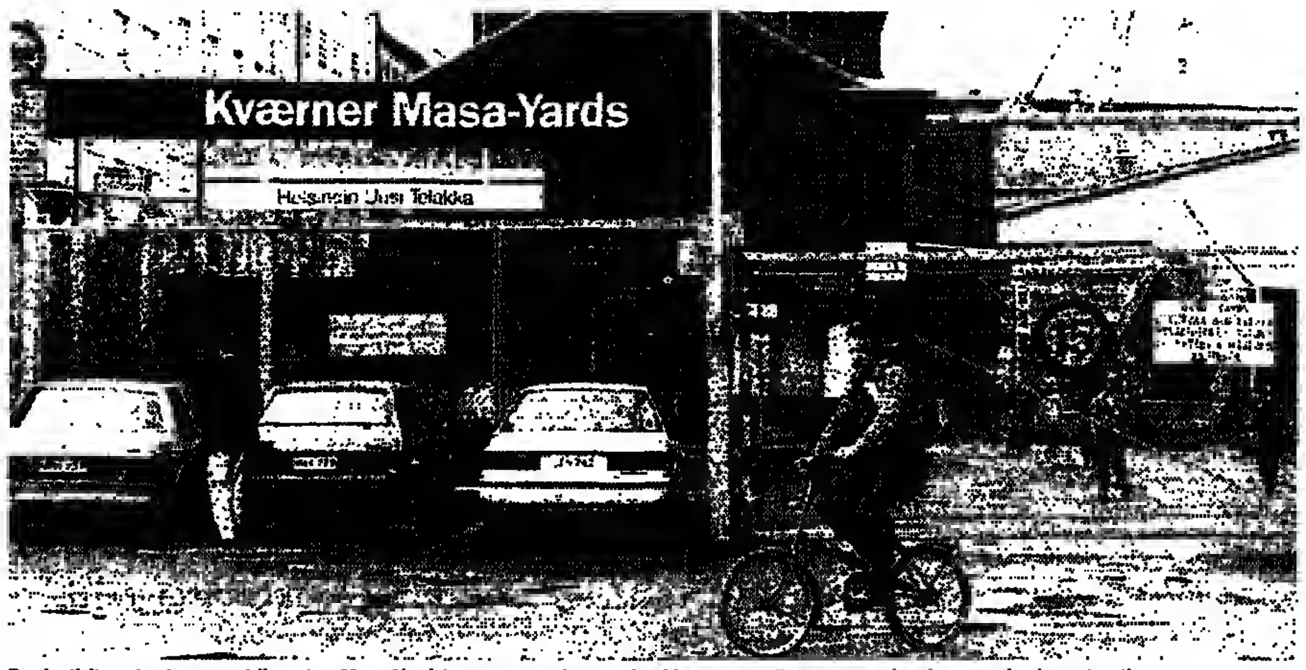
There was a moment in early 1993 when Mr Martin Saarikangas, president of Masa-Yards, took on the status of national hero.

It was the day tbat Masa clinched a $1bn contract to build four sophisticated liquefied natural gas carriers for the Abu Dhabl National Oil Corporation, heating off intense competition from Japanese and European yards. Hailed as Finland's biggest ever export order, its importance to the country at the time could hardly have been greater, with the economy stuck deep in recession and other industry stalwarts, such as the forestry companies and Nokia, apparently still not on the path to recovery. The stock market celebrated and tabloid newspapers suggested Mr Saarikangas should run for the presidency.

The achievement was all the more remarkahle because only a few years earlier the yard had almost gone out of business with the bankruptcy of its former owner, Wärtsilä Marine, in 1989. The Norwegian group, Kvaerner, eventually came to the rescue, huying the yard for NKr700m in March 1991.

The purchaser is unlikely to have had any regrets about its move, given the spectacular revival of Masa-Yards in the past three years. Its order book has more than doubled to FM15bn, providing work for its 4,700 employees – at yards in Helsinki and Turku – until the end of 1997.

Finland, with generally high wage costs, is not a natural home for shipbuilding and it is therefore something of a surprise to find one of Europe's biggest shipyards located there. Masa has managed to be successful. even without the subsidies enjoyed by some of its competitors, because it has concentrated on building up a strong position in a few niche, technically-sophisticated areas.



Productivity gains have contributed to Masa-Yards' success. As its workload has grown, the company has increased sub-contracting Tony Andrews

Take cruise ships, for example. Here, the group has built up a 25 per cent world market share through orders from leading operators such as Carnival Cruise and Royal Caribhean Cruise Line. The company currently has seven cruise ships on order: two each from Carnival and RCCL, two from the German operator DSR and one from the Japanese group NYK.

It has heen a good industry for Masa to specialise in, given the average 10 per cent a year expansion of the cruise market over the past 10 years. Mr Saarikangas is confident that the trend will continue. "The Caribbean has been the main focus of cruise market development so far; there is a great deal of potential in other parts of the world," be says.

LNG vessels are the company's other hig speciality, with

Martin Saarikangas: alarmed at strengthening of the markka

the Ahu Dhahi order alone giving it a 20 per cent market share. It has also penetrated other niches including cable layers and lce-breakers, and hopes one day to build a presence in the Arctic market for vessels trading in the icy waters of northern Russia and Canada.

"We are not series-building ships like a lot of yards," stresses Mr Saarikangas. "Our vessels are tailor-made."

The group's results would seem to vindicate the strategy. Last year it achieved a FM386.9m profit on turnover of FM2.76bn, the best figures in its history. Return on investment has been around 25 per cent a year for each of the last three years.

Mr Saarikangas dismisses suggestions that tbe yard's success has hinged on the hefty devaluation of the Finnish markka since 1991. "All our results until now have heen based on orders placed before the devaluation," he states.

Having said that, the weak markka was crucial to the yard's success in winning the LNG contract and Mr Saarikangas is alarmed at the recent strengthening of the currency. "I am looking forward to the time when the markka reaches its proper level, which is weaker than today," he says.

Productivity improvements have been the other factor in the group's success. Despite the big expansion in the Masa-Yards order books over the past few years, the company employs 1,800 fewer people today than when Mr Saarikangas took over. Although numbers have risen slightly from their lowest point, the company's main response to its greater workload has been to increase sub-contracting.

The impact of EU membership on the yard is likely to be limited. However, it will gain access to EU research and development funds, and perhaps more importantly, it will get a say in the community's shipbuilding policy.

Mr Saarikangas says the yard will certainly make its voice heard if competitors are unduly favoured by subsidies and other state support. "I consider all kinds of suhsidy unfair. You are not allowed to have drugs in sport. Why should you have them in industry? I would like to have a doping committee in industry," he adds.

Christopher Brown-Humes

Elections may stall pace of state asset sales

Stakes cut gradually

The momentum of the Finnish privatisation programme – stalled for so long by the country's deep recession – has increased sharply in the last 12 months.

The government has sold out stakes in five companies, raising a total of FM7.4bn both for itself and the companies concerned. The question is whether the pace of the programme will be maintained after next March's general elections when the Social Democrats look likely to return to power.

The Finnish privatisation programma has heen a cautious one. Indeed, privatisation is probably too strong a word for a process that is bettar characterised as a broadening of ownership. The government has chosen to reduce its stake gradually in a number of the country's higgest industrial groups and, in most cases, it still retains more than 50 per cent of the shares.

The companies themselves have been the main beneficiaries of the process, garnering FM5.84bn out of the proceeds to strengthen their recession and debt-weakened balance sheets. The government could have done with the funds to reduce its budget deficit, but it is precisely because of budget constraints that it has not been able to service the risk capital needs of the companies itself.

Privatisation is probably too strong a word as the state retains more than 50 per cent of the shares

Over the past 12 months, stakes have been sold in Outokumpu, the mining and metals group; Rautaruukki, the steel producer; Valmet, the paper machinery manufacturer, Kemira, the chemicals group, and Veitsiluoto, the pulp and paper group.

In the case of Outokumpu, Rautaruukki and Valmet, which were already listed companies, the targeted buyers have been domestic and international institutlons. With Veitsiluoto, on the other hand, an industry buyer was preferred, which resulted in Enso-Gutzeit securing a 35 per cent stake for FM1.5bn. Kemira was introduced via an initial public offering which raised FM1.14bn and cut state ownership to 75 per cent.

The government is free to sell more shares in all five companies before it reaches the limits of its parliamentary authorisation. Outokumpu is the only member of the group where state ownership has already fallen below 50 per cent.

Altogether, there are some 12 groups on the government's privatisation list, including Neste, the oil and petrochemicals group; Enso-Gutzeit, the pulp and paper group; Finnair, the national airline; and Imatran Voima, the big energy company.

Some commentators believe

Continued on next page

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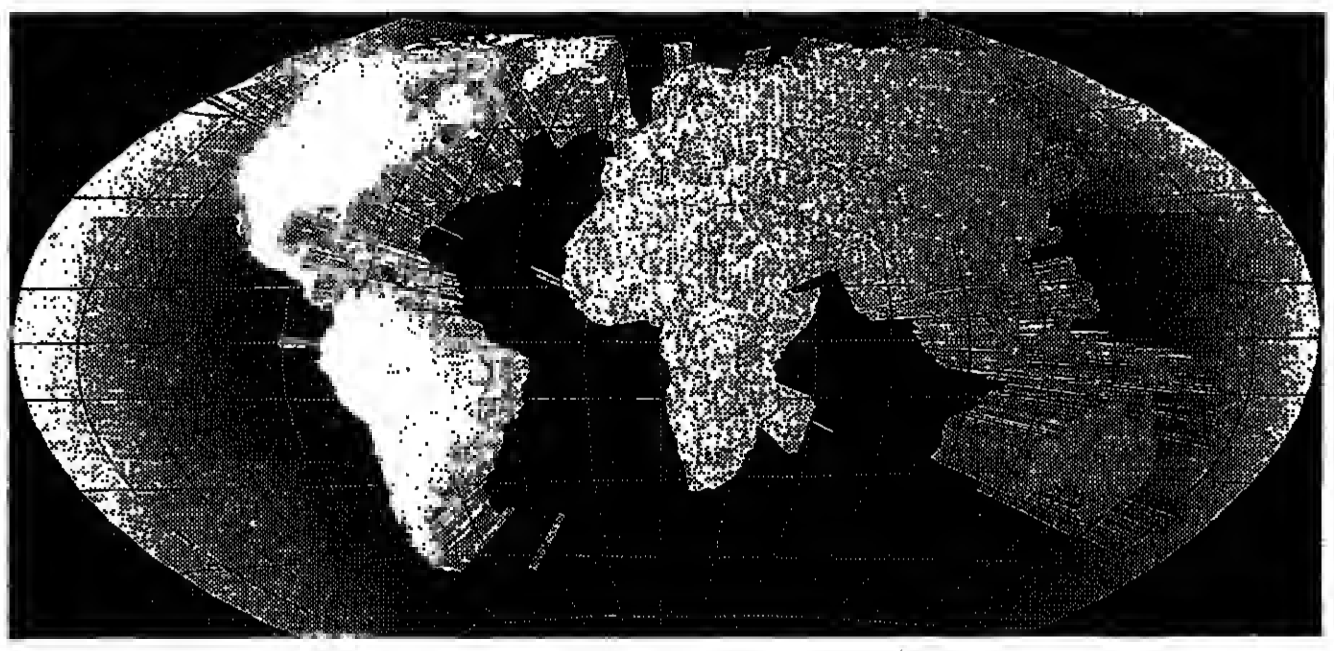

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Christopher Brown-Humes on the country's relationship with Russia

Neighbour that always wins

"Finland has fought many wars with Russia and it has come second every time." Finns will joke when discussing their sensitive relationship with their giant eastern neighbour.

The most recent confrontation was during the second world war. On that occasion, the country achieved one of its better results, managing to preserve its independence despite the sacrifice of a tenth of its territory

The sensitivity in the relationship is hardly surprising. Finland was ruled by Russia for more than 100 years until 1917. During the cold war it was forced to adopt a stance of strict neutrality to avoid provoking Moscow. More recently it has had to endure the taunts of Vladimir Zhironovsky, the Russian nationalist, and even talk that a starving Russian population was about to flock over its borders in search of a better life. Even today, instability in Russia almost automatically provokes a sell-off on the Helsinki stock exchange.

Against this background, it is not aurprising that Finland's desire to anchor itself firmly in the western camp was one of the main reasons that its electorate voted to join the European Union by such a clear margin on October 16. In the back of many people's minds was that the thought that Finland would gain more security without any new military alliances or commitments.

The irony is that Finland would probably not have got its chance to apply for EU membership without the momentous changes which have swept through Russia in the past five years. Its ability to chart a more independent course came with the ending of the cold war and the collapse of the former Soviet Union. Mr Mikhail Gorbachev, the former Soviet president, signalled in 1990 that Finland was able to

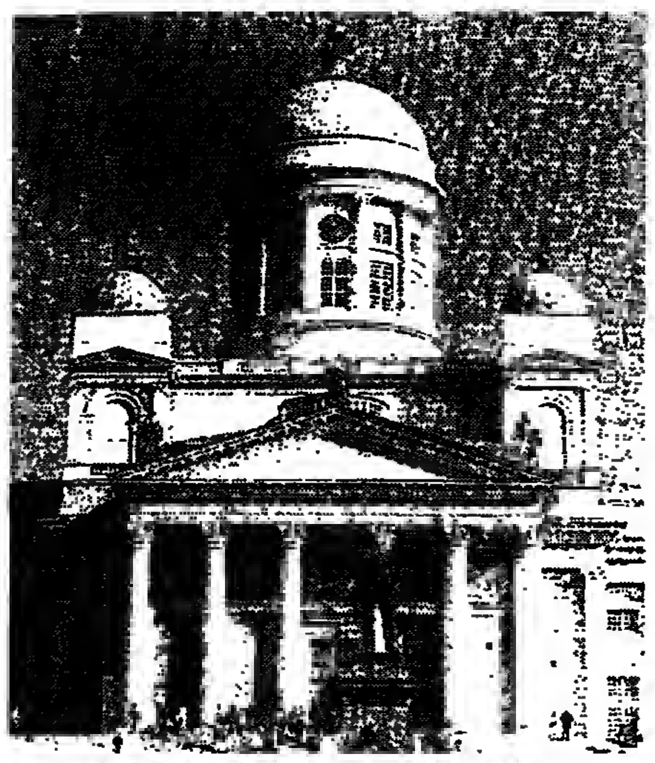
Instability in Russia almost automatically causes a sell-off on the Helsinki stock exchange

go its own way. Then, in mid-1991 Sweden applied for EU membership. When Finland duly followed suit in March 1992, the move passed almost unnoticed in Russia.

In the run-up to October's referendum, both supporters and opponents of EU membership used the Russian issue to back their argument.

Mr Esko Aho, the prime minister, said: "Finland will be able to be very active and play a very important role in programmes the European Union has for assisting Russia.

"My impression is that on the Russian side they see the membership of Finland as an opportunity also for Russia because of the fact that resources for co-operatiou will be increased."

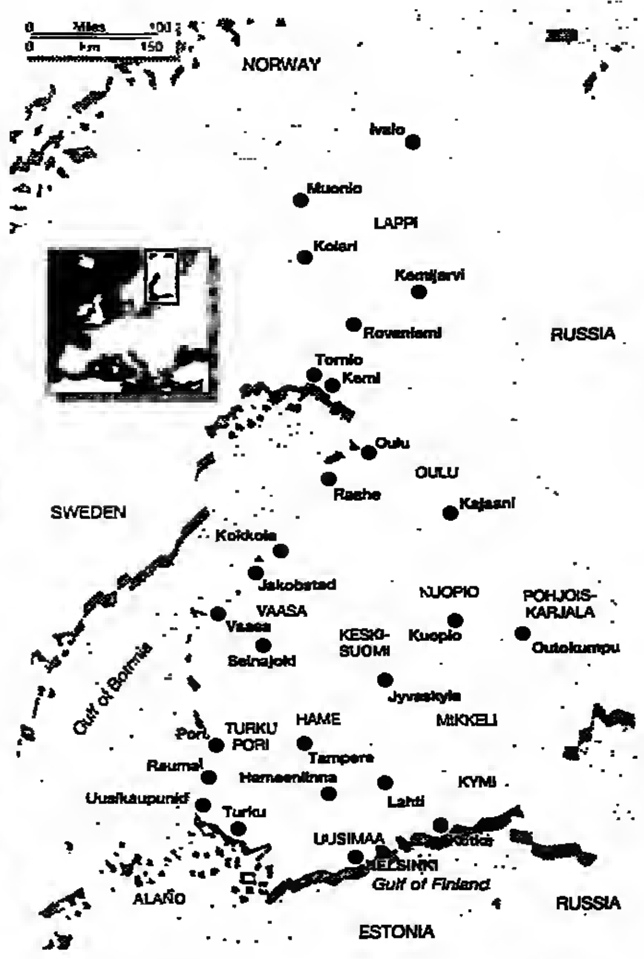


The Lutheran Cathedral, a landmark in the centre of Helsinki Tony Andrews

Opponents are not so sure. They believe Finland will slowly be drawn through EU membership into less neutral defence structures. which could in a future east-west confrontation put the country in the front line. Mr Risto Volanen, a member of the "No" camp, says: "I am worried we are putting ourselves on the chessboard in such a way that we are not in control of the moves that are made."

The aim is still to hang on to the spiril, if not the fact, of neutrality. Thus, Finland has joined the Partnership for Peace, while stressing this is not a staging post on the way to full membership of Nato. As for the Western European Union, the country says it will seek observer status hut has declined to give any commitment beyond that.

This shows a continuation of the pragmatic stance which



Finns have adopted in their Russian dealings for most of this century. It is an approach that has benefited them in many ways.

The best example has been trade. During the cold war, Finland had a privileged trading relationship with the Soviet Union. Under a clearing system arrangement, agreed at govarnment level and implemented through five-year plans, the country built up a dangerously high dependence on its eastern neighbour. Most of its oil and gas imports came from the Soviet Union; in exchange it supplied ships, machinery and equipment, chemicals and consumer goods.

At its peak in the mid-1980s, the Soviet Union accounted for

It remains open to doubt whether Finland can market itself as the "Gateway to Russia"

26 per cant of Finland's trade. The total fell during the late 1980s, but even so the Finnish economy felt a massive shock when the clearing system was abandoned – at Soviet insistence – at the beginning of 1991. The blow deepened Finland's three-year recession between 1991 and 1993 at a time when it was already reeling from the consequences of 1980s over-heating and a downturn in the international economic cycle.

Finnish-Soviet trade, having been worth FM36.6bn in 1983, fell to just FM9.7bn in 1992. However, there are already clear signs of recovery. In 1993 the trade was worth FM13.9bn and this year it is predicted to reach FM18bn, or 7.2 per cent of the country's total. This makes Russia Finland's fifth largest trading partner.

But the structure of the trade today is totally different. Having been centralised and largely the domain of Finland's big exporters, the picture is now more fragmented and thousands of Finnish companies ara involved. Moreover, the type of trade has changed. Today, Finland is exporting (or re-exporting) far more consumer goods than in the past. Trade is also more complicated due to the absence of a sound legal and banking infrastructure on the Russian side.

Finland is confident it will benefit in the long term from its geographical proximity to Russia and, in particular, its closeness to St Paterahurg where Finnish companies are already among the most active foreign investors. Tha Finnish port industry has already benefited from congestion and obsolete facilities on the Russian side, helped by the fact that the two countries share a common rail gauge.

Whether Finland can successfully market itself more hroadly as the "Gateway to Russia" and attract foreign investment on the back of it remains open to doubt. Finland has more experience of dealing with Russia than other western countries. But its experience derives from a different era and different conditions when different people were in charge. In many respects, it is having to start afresh, just like everyone else, in its dealings with the "new" Russia.

Finnish design should not be ignored, though it is out of the limelight

A gift for order, serenity and logic

The glory days of Finnish design are, for the moment at least, over. Way back in the 1950s and 1960s, anybody who knew anything at all about design knew that the Finns were mnch of what modern design was at. Though Finland came into design prominence later than its northern neighbours, Sweden and Denmark, the impact it made was huge.

Alvar Aalto's beantifnlly lucid and tranquil designs, often based on laminated blond Finnish heechwood, from the 1930s found a new audience in the young Europeans hungry for a new aesthetic after the dreary war years. Eero Aarnio's chairs became models of ergonomic rectitude.

Designers such as Taplo Wirkkala and Timo Sarpaneva brought a new approach to glass-making and honnced upon the international stage at the Milan Triennales during the 1950s. But it was probably the colourful cotton textiles of Marimekko that made the biggest impact round the world. Her fresh, joyfnl, snnny approach hrought a new innocence and vivacity to the business of weaving textiles.

Today the works of these designers may be no less beautiful or attractive but they are somehow, subtly, ont of tune with the times. In spite of an inherent feel for quality comhined with simplicity and a deep aversion to pretentiousness, Finnish design currently seems to be out of the limelight.

A look through the international Design Yearbook for 1993 edited hy Borek Sipek reveals scarcely a Finnish object – during the 1960s and 1960s tbls would have been unheard of.

Nevertheless, hehind the scenes, all is not lost. The high-profile names may not be there (this is currently a niche market for the Italians and, surprise, surprise, the British) hut profitahle, if less starry, markets are being developed in office, school and other contract areas. These have always been particularly snited to the Finnish gift for order, serenity and logic. Isku, for instance, uses light Finnish hirch and pine for shelving, simple, orderly chairs and tables, while Lepo Prodnct's Paletti collection of chairs, tables, office furnitnre, lamps and storage units is dnrahle, sturdy and mnch in demand among interior designers.

Even though Finland is unlikely ever to prove a rival to Paris, Milan or New York, it is huilding np a surprisingly successful and profitable business in clothing. Exports have grown continnously and steadily. The opening of the Russian market has given the clothing industry a hig boost but ranges such as Lnhta skiwear have bnilt a steady International following for their combination of practicality, fashionability and reasonahle prices.

Anne Linnomaa had huilt up a niche business, too, with her ecological clothing collections for the eco-aware. The company was prodncing simple, naturally dyed cotton clothing long before ecology became fashionahle.

Friitala has always heen renowned for its exqulsitely made and classically designed suedes and leathers. It has managed to walk thst fine line hetween the classic and the modern, updating the suedes (reindeer and pig) and leather styles with cnt and colour. Popular in St Petershurg, as well as Peking, it is concentrating on selling through spectalty bontiques.

Lapponia is Finland's higgest, most internationally successful jewellery company. It uses gold in a rich, almost sculptural way, comhining it with aquamarines, opals, amethysts, tourmaltoes or pearls of diamonds if yon wish, to make rings, hrooches, necklsces and bracelets. Less ethnic in its appeal than Kalevala Koru and more contemporary in approach, it has an international following.

Hackman Housewares has long been a byword for solid quality, sturdiness and clean lines. Its range of stainless steel, coated aluminium, copper and cast iron cookware is scarcely bettered anywhere.

Though Finland is on the whole irredeemably associated with the contemporary, there are niche businesses that hark back, or perhaps more politely put, huild on a more nostalgic past. J. Marttiini's hunting, fishing and camping knives, derive from a traditional way of life and have a strong, visual appeal even for those who will never gnt a fish or skin a reindeer.

Kalevala Koru makes jewellery that celehrates the myths and legends that are part of Finland's past. Many of the pieces are inspired hy excavated artefacts – rings are intricately worked, a menagerie of animals ranging from serpents to horses and hirds appears on brnoches, rings, necklaces. Pectoral crosses based around the "praying Mary" and Karelian rihhon winding are richly dramatic. Stones snch as amethyst and spectrolite as well as rock crystal are comhined with silver and bronze to prodnce jewellery with a distinct national identity. All the jewellery is made hy the Women of Kalevala, a non-profit organisation formed to ensure that Finland's rich cultural history lives on in a vital way.

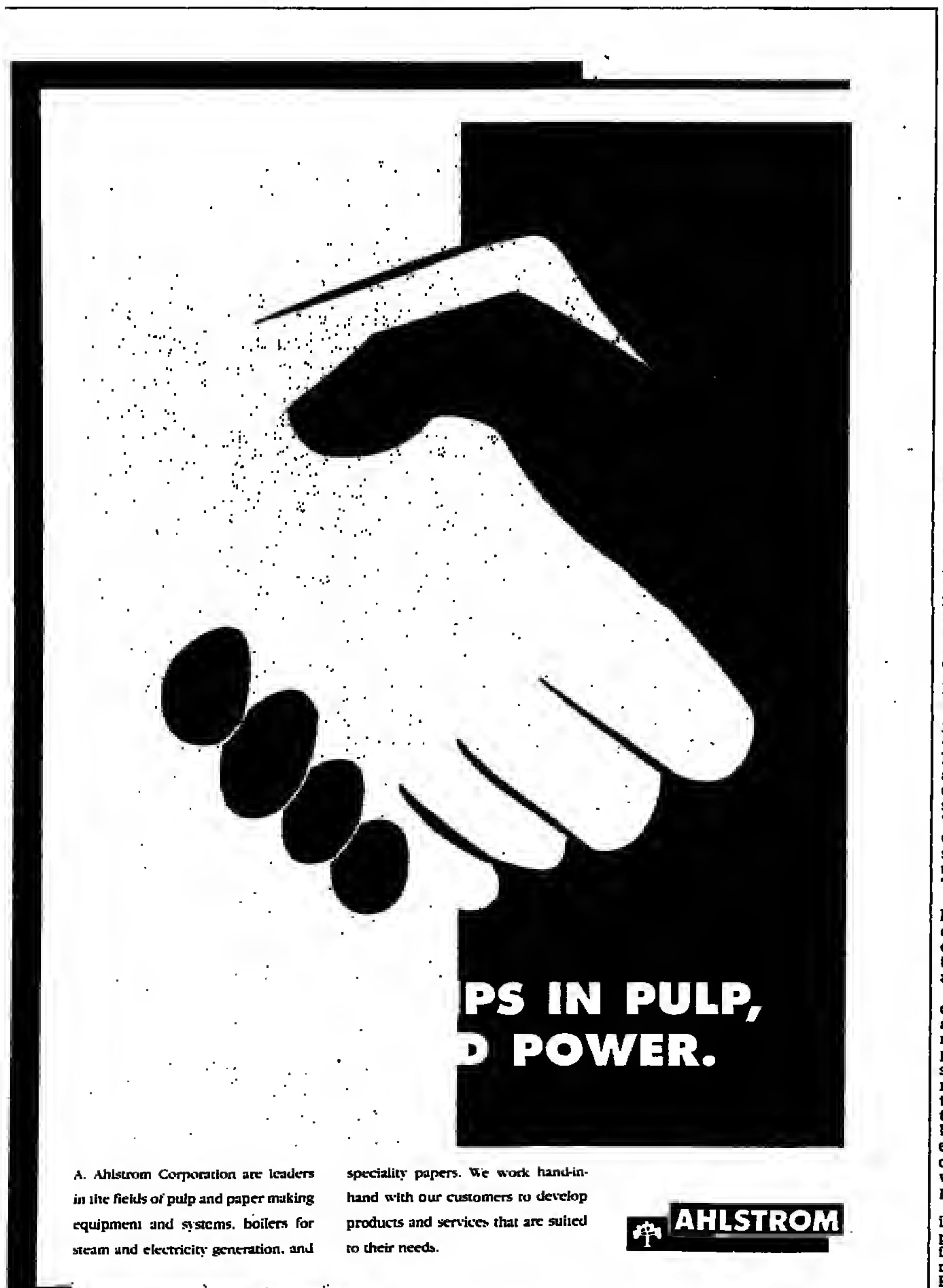
Kalevala Koru designs celebrate the myths and legends of Finland's past

The Nostalgia Home Collection looks as if it comes straight out of a quintessentially English conservatory – here are elegantly light and graceful shapes, tables, chairs, storage shelves, all made from lightweight, sandblasted and powderpainted iron, which could happily live indoors or ont.

Aalos managed to combine traditional woodworking skills with a contemporary approach to children's play in its beautifully crafted wooden toys all made from Finnish hirch.

Those who have forgotten, or those who are too young ever to have seen, Alvar Aalto's serene and classic furniture might like to know that Artek, the company which is forever linked with his name, is still going strong. As trends go in and out, Aalto's furniture may be more or less in fashion, but something about them endures. There is nothing that is modish or ephemeral abont them. As long as men need seats to sit on, tahles to eat off and *quelque chose pour l'oeil*" Aalto'a furniture will live on.

Lucia van der Post



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that the state could have been more aggressive, selling out more stakes earlier in the cyclical upturn which has favoured the country's hig exporters and driven the stock market up sharply in the past two years.

But there are good reasons for the government's caution. One is Finland's three-year long recession between 1991 and 1993 which dragged many companies into the red and sent share values plunging. "We have always had a very company specific orientation," says Mr Matti Vuoria, secretary-general of Ministry of Trade and Industry.

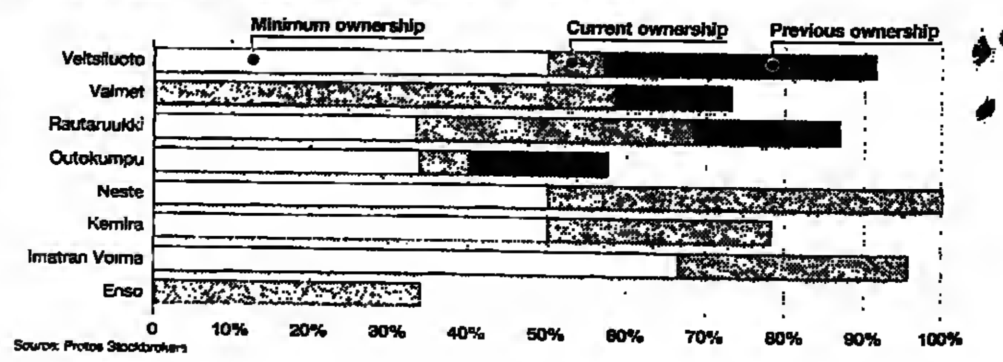
Another consideration has heen the small size of the domestic market which could easily have been swamped if the government had been tco ambitious.

The momentum of the process has shown no signs of abating. Indeed, one of the most amhitious parts of the programme – a partial privatisation of Neste, the oil and petrochemicals group – is likely to be next, possibly as early as the spring of 1995. Neste has been valued at FM10bn, so that even if only 20 per cent of the company is sold initially, it would be the biggest Finnish privatisation so far.

In addition, the government is looking for parliamentary permission to reduce its stake further in three other companies: Rautaruukki, Valmet and Kemira.

A key question will be the attitude of the Social Democrats who, the polls say, will return to power in general

Government ownership and privatisation



Source: Protos Stockbrokers

Stakes cut gradually

elections next March. They have been less enthusiastic about the privatisation process than the current centre-right administration and they could try to slow the process down.

International investors have played a crucial role in the privatisation programme, largely because there has heen too much stock for domestic institutions to swallow and there has only been a limited retail element. More than 50 per cent of the shares offered so far have been taken up hy foreigners.

This reliance on the international market has helped to drive up foreign ownership of Finnish companies at a time when foreign huying has in any case been heavy due to strong fundamentals and the 1993 liberalisation of rules on foreign ownership. Today around 30 per cent of Finnish shares are in foreign hands.

In some companies, the level is much higher. For example, more than 50 per cent of Nokia, the high-flying telecommunications group which launched a FM2.4bn share issue during the summer, is now foreign-owned. This prompted the group to seek a listing on the New York Stock Exchange, the first Finnish company to do so.

Some commentators worry that high foreign ownership levels and the continuing privatisation programme could unsettle the development of the stock market at a time when it is within striking distance of its 1989 all-time high.

A sudden withdrawal by foreigners could quickly cause the market to plunge simply because domestic institutions could not handle it. This is what happened in the Finnish bond markets earlier this year. The risk of profit-taking in the equity market has been beightened hy the strength of the markka which has amplified dollar earnings.

With privatisation, the worry is one of over-loading. Mr Ari Lahti, managing director of Protos Stockhrokers, says parliamentary authorisation exists for a further FM11hn worth of privatisation excluding Neste. He argues that this is too hig a hurden for the market to absorb in the short term, when the total supply of cash from mutual funds, foreigners and domestic institutions is unlikely to exceed FM18bn.

Mr Vuoria says foreign institutions will continue to play a crucial role both in the privatisation process and the development of the stock exchange, but he expects their interest to become "more focused" and "selective". At the same time, he believes the growing domestic interest in the country's privatisation process will continue.

Christopher Brown-Humes

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FINANCIAL TIMES SURVEY

BOLIVIA

Wednesday November 9 1994

It is the poorest country in the western hemisphere after Haiti. Seventy per cent of the population live in poverty; average life expectancy is 60 years; 86 out of every 1,000 babies die before they are a year old.

Bolivia is still suffering the legacy of four centuries of plunder capitalism. Its 1952 revolution nationalised the mines, the centrepiece of the Bolivian economy, and opened the countryside to land reform. But in driving out the mine owners and landowners, the revolution drove away capital too.

The state, beset by corruption, proved an inefficient investor and little better at improving the lot of the population. In a country of more than 7m people, fewer than 1m have formal jobs and only 350,000 have bank accounts. The indigenous majority of Bolivians does not speak Spanish, suffers the racism of the European-descended minority and still ekes subsistence from the land or from petty commerce.

Landlocked, with prices for its main commodity exports plunging in the 1980s, Bolivia's survival without continued foreign aid in a competitive world market remains in doubt.

Yet, despite this bleak background, or in part perhaps because of it, there is now a strong sense of change in many parts of the country. Some regions – in particular, the plains to the east around the city of Santa Cruz – are enjoying growth led by agricultural exports.

The caricature image of a country beset by military dictatorships and political instability – Bolivia has experienced 78 governments in 169 years of independence – is losing its relevance now that elected governments have been in place for 12 years.

There have been nine years of economic stability since 1985, when inflation topped 23,000 per cent. This year, inflation should fall to 7.5 per cent or less – only Argentina's will be lower in Latin America. Once heavily protectionist, the country now has a maximum tariff of 10 per cent and allows free inflow and outflow of capital.

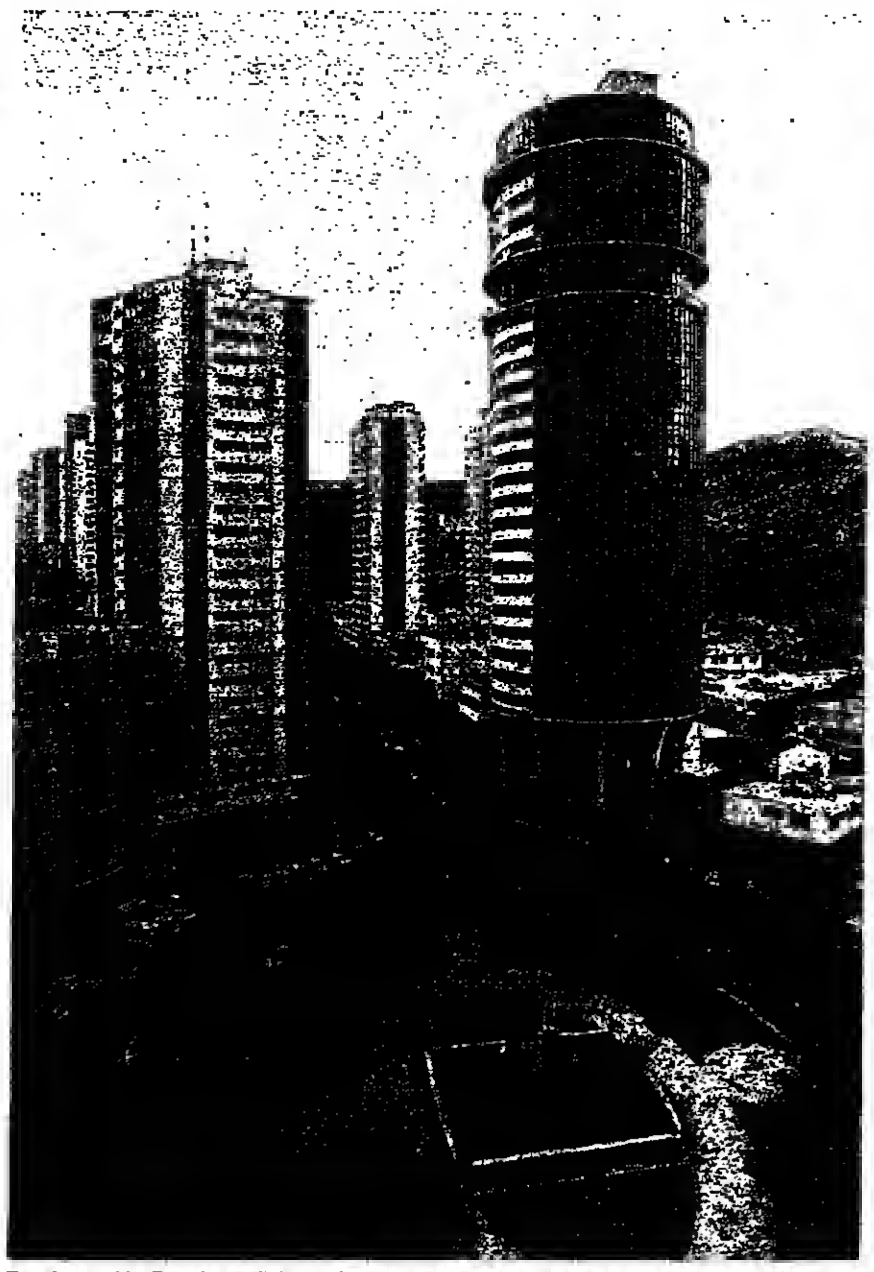
Yet, economic stability has not been followed by sufficient overall growth to improve the lives of the poor majority. Slow growth, the present government believes, is an inevitable consequence of low investment over many years. Sharply increasing the investment rate is therefore its prime objective.

The architect of the successful 1985 economic stabilisation plan is now Mr Gonzalo Sanchez de Lozada, the president. The cornerstone of his policy to increase private investment – he hopes it will reach more than 20 per cent of gross domestic product by 1996 compared with about 14 per cent at present – is a plan to transfer six state companies responsible for one-eighth of the country's economic activity to the private sector.

The process is being called capitalisation. It aims to entice foreign private operators to make a significant equity investment in the businesses, typically 50 per cent, and to distribute the remaining portion to Bolivians through newly created pension fund accounts.

The process is expected to start with the capitalisation of the state electricity generator.

The single most important capitalisation will be that of the state oil company, YPFB, which, despite its poor investment record, still accounts for about 9 per cent of GDP.



Two faces of La Paz: the capital's modern city centre reflects nine years of economic stability . . . but on the fringes of the city, the homes of the poor majority have not changed Picture: Antonio Suarez

Economic growth is the key

Despite a bleak background, or in part perhaps because of it, there is now a strong sense of change in many parts of the country, writes **Stephen Fidler**

Mr Edgar Saravia, the senior official responsible for guiding through the process, says that by next year the first stage of capitalisation – transferring the companies to the management control of the new foreign shareholders – should be completed by July next year. Already though, he admits capitalisation is running six weeks behind schedule.

The completion of the process – let alone its ultimate success – cannot be taken for granted. It requires a heavy legislative programme and although the government coalition has with difficulty retained majorities in both houses of Congress, they may not be reliable or durable.

Furthermore, because the Bolivian market is small, the amount that foreign investors are willing to plough into the companies will depend significantly on the extent to which they can use the companies to penetrate foreign markets.

Bolivia is therefore depicting itself as an entrepot – particularly for energy and transport – for South America's southern cone. And with regional economic integration proceeding apace, both at the governmental and entrepreneurial level, the idea of Bolivia as a hub is no longer the pipe-dream it would have been a decade ago.

But, while capitalisation may be a necessary condition for accelerating economic growth, nobody sees it as sufficient. If potential foreign investors are less worried about the country's political stability than they were, they have significant concerns about other obstacles to business.

One big obstacle, particularly to investment in agriculture, is land titling. The country's competing titling authorities have now more or less ceased to function and the present law allows for different owners of the land, the underground resources beneath it, and the forest above.

Mr Jose Guillermo Justiniano, the minister of sustainable development and the environment, says "complete chaos" surrounds the titling issue, but that the government is drafting a law to address the problem.

Corruption remains another pressing problem – and the aim of reducing it provides a further reason for ending state ownership of productive enterprises. Congress is wrangling over whether to lift the diplomatic immunity of the previous president, Mr Jaime Paz Zamora, who has been accused along with other members of his party of ties with drug traffickers.

The company running La Paz's cable television channel, for example, has complained it is being targeted for bribes by city officials. There is a price for not paying: the frequency with which the company's cables get damaged by municipal and other vehicles. Other obstacles cited by foreign investors include poor infrastructure, the continued strong influence of the trade unions, and the legal system.

Mr Guido Antesana, a former head of Bolivia's banking association, describes the legal system as "morally bankrupt and technically obsolete". For business, it presents "a big roadblock. There is no certainty that any contract will be enforced," he says.

The government has already begun to move on this, although the task is enormous. Constitutional reform has, among other things, established a new tribunal aimed at cleaning up the judiciary. In another unprecedented development, two supreme court justices were impeached for corruption.

It is not only in the economic domain that the government has directed its reform efforts. It has overhauled the executive branch, the drawback being that getting accustomed to this new structure has delayed other aspects of the government's programme.

It has passed a law aimed at decentralising political decision-making. Called popular participation, it is designed to devolve power and finance to local municipalities and community groups in all parts of the country, many parts of which have never had local government. Education reform has for the first time permitted instruction in languages spoken by the country's indigenous majority.

By any standards, this is an ambitious reform programme, and unlike some leaders, the US-educated Mr Sanchez de Lozada does not lack the "vision thing".

What is in question, however, is application. The president, a philosophy graduate from the University of Chicago, loves "brainstorming" sessions. He follows opinion polls closely – too closely, say some of his supporters. And, partly as a result, he makes decisions and then often reverses them days later.

Because of the country's heavy dependence on foreign aid – which he hopes his economic programme will end – his decision-making has to take into account the often conflicting opinions of the international financial institutions, the more than 400 non-governmental organisations operating in the country, and the US and other donor governments.

The president has no love either for Bolivia's pork-barrel political culture, or the cut-and-thrust of politics, which he is widely said to see as an obstacle to his reform ideas.

Another subject he is said to despise is the controversy over the growing of coca leaf, the raw material for cocaine. The importance of coca to the Bolivian economy has declined over the past five years – the area under cultivation has remained more or less stable, while it has quintupled in Peru – but it remains a thorn in the government's side.

He has been caught in the middle of Washington's policy of repressing coca cultivation and the Bolivian population's romantic, if possibly misguided, attachment to the growers of the plant.

Already, 15 months has passed of a short four-year presidential term. The president makes no bones about the enormity of the task he is undertaking. But he says he has a consolation: "There's one thing that makes me see the light – there's no way I can do it worse than the others have done."

INTERVIEW

'Very important steps have been made'

President Gonzalo Sanchez de Lozada talks to Stephen Fidler, Richard Bauer and Sally Bowen

President Sanchez de Lozada: 'We've given economic and political power back to the people' Picture: Rickey Rogers

Question: Your government gives the impression of having a lot of vision, a lot of ideas, which seem forward-looking and coherent. But some of the measures you have introduced – for example the reform of the executive – may have put back other aspects of your reform. And after 15 months of your government, its practical impact seems to have been limited.

Answer: In the first year of this government, the legislation which came about, including constitutional reform, was simply extraordinary. But that is very far away from people's lives.

Let's start with our reform of the executive branch. If you don't take that step at the beginning of a new government the cement gels and you can never change it. But there's a cost – in time lost until people adjust and until the system works – but the steps that have been made have been very important.

Let's go to step number two – popular participation. For the first time in 500 years we have recognised the existence of native communities. Why Bolivia works with a low level of violence, and is a working, functioning democracy with our terrific, critical poverty is basically because the family and the community is very important. We've created territorial municipalities – true local government – as opposed to the traditional, colonial, Spanish city where the landowners lived and which governed the countryside.

We've given economic and political power back to the people. Two-thirds of Bolivians are Indian communities and the great majority of Bolivians don't speak Spanish – as the president doesn't speak it well. We also took 20 per cent of the central government's income and distributed it according to the population, so for the first time in 500 years people received money instead of sending money to central government. They're deciding what they're going to spend the money on, and we've also given them the administration of health and education.

The central government will provide the teachers and the doctors, but the community will administer them. Of course, the teachers' unions are indignant and the doctors are outraged because they have these poor, dirty Indians telling them what services they need.

It started on July 1, so the people are starting to get the money. Of course, they'll wake up and realise the money's nothing next to the problems, but before they had nothing.

Aren't you worried about local corruption?

The church asked me about that and I said if that should happen we'd be the first country to have democratised corruption. Why should only the big guys steal? Let the little guys steal. But I don't think so – I asked that of the local mayor in a community I visited and he said: 'I can't because everybody's looking at me'.

What about central government?

The third thing was constitutional reform, and we've gone for the German [electoral] system where we have proportional representation in the congress, but half the legislators are voted by districts.

Now, we just have a list, so if you vote for the president in every department you get the president's men. But they're going to have the right to vote for the guy that represents them and for the president, but we will still have proportional representation.

In the constitutional reform, we've brought in the ombudsman, and we've brought in complete reorganisation of the judicial branch.

Finally, we come to capitalisation which is probably the cornerstone of the whole thing. In traditional privatisation you sell the state-owned assets and whoever buys them has to invest and modernise.

What we're saying is, don't buy it from us, put in the money to modernise it and what is left in the hands of the state, which would be up to 50 per cent, we then distribute to the Bolivian people for pension plans. That's easier said than done: individual capitalisation pension plans.

Are you optimistic that capitalisation will work, will attract investors?

We're very sure that it will. Let me give you a reason why: Bolivia is a relatively large country but it's a small, poor economy. But we had never taken into account, living up here in the Andes, that it is a hub: its location is what makes it valuable.

Let's take the electric energy sector: we have 31 companies interested in the capitalisation which we hope to have finished by March. What they've told us is you're sitting at 4,000 metres and an awful lot of water goes down to sea level, and it's environmentally friendly. We can sell the electricity into southern Peru, northern Chile and Argentina and into Brazil.

You take the second sector: hydrocarbons. Bolivia, on top of very important reserves, is situated strategically so that it can export into northern Chile, southern Peru, São Paulo.

For big oil companies, gas was a nuisance and an unnecessary by-product. But in an environmentally-conscious world, big companies have to be gas-orientated. We think the prices are ridiculously low, we think we are being taken to the cleaners, but we know that the trend as people get used to gas, and see the benefits of an abundant, economic and clean fuel, we're sitting on a gold mine.

The last thing on the agenda is educational reform. Here we're talking about something that nobody ever accepted – that you should learn to read and write in your native language.

Nobody can learn another language until he's learned to read and write and think in his own language. This doesn't sound like much, but this is revolutionary. They grab these poor children, they throw them into school, they have a teacher that talks to them in Spanish and are prohibited to even use their native clothes.

Secondly, we've decided that all schools, public or private, must be accredited. We want to have standard testing; we've created a regulatory body that's elected by a two-thirds majority to do this. The schoolteachers are outraged because they will be dependent on the community.

Isn't it true that you're really not informing people much about capitalisation?

In a way, you're right. We learn from Machievelli that change is not advisable because those affected realise it immediately and those benefiting take a long time. So there's a terrific problem in communications, and it's basically because the president isn't talking to the people. The reason he's not talking to them is that we are in this gestation period – these are very hard policies to put in place.

This is the critical year; we must finish capitalisation this year, we think we can do it – easily we'll get it done by 1995. But people won't see anything till 1996 because the people who capitalise this country will have billions of dollars on deposit but then they have to do the studies, they have to place the orders and then they'll be seeing it moving.

Do you have a clear strategy of what you will do about Bolivia's illegal coca production?

Obviously not; who has a clear strategy with drugs? The day somebody invents a synthetic cocaine it's all finished. But the damage is to us because our institutions are too weak to resist the cartels.

The amount under cultivation hasn't grown in the last few years. Is that good news?

In drugs, all I can say is it's like having cancer and saying it's not growing. You haven't got free of the cancer but at least it's not growing.

Are the armed forces and police involved?

Well, no. The armed forces were intensely involved before democracy came back. These institutions have a great ability to cleanse themselves through promotions, and they retire so quickly and they move up, and we have isolated the armed forces; they only give a support role to the police.

The police, who were terribly corrupt have again been purified. I won't say lily-white, but I think that the area of greatest preoccupation is the judicial branch. We're working very hard because a country without justice is like a land without water. We're working very hard to depoliticise it; make it independent; make it impartial; make it competent.

Generally, institutionally we're doing relatively well. Where we're not doing well is that the so-called farmers' unions are the bottom rung of drug trafficking. I'm not saying they're taking it to England or taking it to the US, but they're definitely getting the paste to the boys in the line.

Colombia's integrating backwards; they want to produce their own coca so they don't have to depend on Bolivia. The Bolivians want to produce their own cocaine so they can sell it directly to the market. It's a very, very dangerous situation and I must admit that we're racking our brains.

* * * * *

Don't forget that Bolivia was, like most countries, not only ineffective at providing goods and services, it was really ineffective at providing social services. We recognise that that's the role of the state – the real mechanism of redistribution of wealth – but we think governments, including the developed countries' governments, are awful at doing that. They're better at producing electricity or oil than they are at producing health and education. So we're giving it back to the people...

There's one thing that makes me see the light – there's no way I can do it worse than the others have done. When they say 'How can you give all these Indians all this political power and economic power?' I say 'They can't do worse than we've done.'

You're worried about corruption, you're worried about them having a party; at least it'll be a good party. They can't do it worse than we've done for 500 years.

Note: This is an edited version of the full text of the interview.

ON OTHER PAGES IN THIS SURVEY

Production Editor: Philip Sanders

BOLIVIA II

The accelerating process of opening Bolivia up to international markets, started in 1985, is beginning to bear fruit. A combination of entrepreneurial tbrust and hilateral free trade agreements has helped close the yawning 1993 trade gap. Now, in 1994, growing non-traditional exports are helping put Bolivia on a healthier footing with trading partners.

"Bolivia adopted market-oriented reforms and low import tariffs earlier than any Latin American country except Chile," says Mr Carlos Morales, trada and industry minister. "It's been tough for businessmen hut they now realise that, with a small domestic market and low per capita income, we must export in order to produce."

Official figures show revenue from non-traditionals – principally soya beans, gold jewellery and taxtiles – jumped 83 per cent in first half of 1994 compared with the same period last year. By year's end, the trade ministry estimates, non-traditionals could earn $400m, approaching half of all export revenue.

Last year, almost 40 per cent of Bolivia's trade was with other Latin American countries. The European Union accounted for 28 per cent – mainly traditional mineral exports – and the US for 24 per cent. High transport costs mean Bolivia's present exports to Asia are a slim 8 per cent – products are mainly natural-resource hased with little value added.

The US has become the main market for Bolivia's non-traditional exports. Under the Andean Trade Preference Act – instituted during the presidancy of Mr George Bush to help support alternatives to illegal drugs trafficking – some 6,000 Bolivian products can enter the US free of duty.

Although landlocked, Bolivia has the advantage of sharing borders with many countries. Under the Paz Zamora administration, Bolivia started negotiating a series of bilateral trade accords with neighbours and other Latin American countries. These initiatives have been stepped up under President Gonzalo Sanchez de Lozada.

"The adoption by the Andean Pact countries of market-oriented economic policies has been good news for Bolivia," says Mr Morales. Peru is Bolivia's chief customer within the Pact, buying $42m in Bolivian non-traditional goods (mainly soya and its derivatives) in first-half 1994 – nearly a quarter of the total exported and 63 per cent more than for the first six months of 1993.

Sally Bowen reports on trade and foreign policy

A healthier footing

Proper invoices will be an innovation for the street-sellers of La Paz and their customers Picture: Antonio Suarez

Boosting the chances of closer integration with Peru is the 1992 agreement wbich granted Bolivia rights to an industrial free trade zone and a 5km strip of desert coast near the southern Peruvian port of Ilo. In return, Peru won access to Bolivian river port facilities in Puerto Suarez, on the borders of Brazil, with an outlet to the Atlantic.

Bolivia, however, is in pursuit of tbe largest possible number of trading partners. It is particularly attracted to the Mercosur group of countries comprising Brazil, Argentina, Uruguay and Paraguay. Bolivia was granted "observer status" last December.

"We see ourselves as a hinge between the Andean Pact and Mercosur," says Mr Morales. "We believe in a larger trade area and we're negotiating aggressively within the vision of Mercosur."

In January and Marcb this year, Bolivia signed preliminary free trade agreements with Paraguay and Brazil to complement its existing accords with Argentina and Uruguay. Tbese are seen as essential, if limited, first steps in fulfilment of the ambition to join Mercosur.

A landmark trade accord witb Chile, signed in April 1993, has so far proved disappointing. La Paz husinessmen claim that Chile is hlncking Bolivian exports by over-rigidly applying non-tariff regulations while swamping tbe Bolivian market with Chilean consumer goods. Re-negotiations in October, however, should give Bolivians a chance to level the trade score.

Bolivia's most recent trade accord was signed with Mexico in September, allowing for phasing in of total free trade within 15 years. However, 98 per cent of all products will be traded tariff-free witbin 10 years and a significant portion immediately.

Trade between the two countries is small – worth less than $20m in 1993 – and weighted in favour of Mexico. But Bolivians expect exports of wood, alpaca textiles and gold jewellery to expand fast. Government officials estimate that bilateral trade will jump to $50m in year one.

Meanwhile, Bolivia is also starting to see benefits from its five free trade zones establisbed from 1991 onwards. Their nhjective is to cut incentives for the flourishing contrahand business whicb for years has sliced into state revenue from import duties and value-added tax.

Mr Oscar Ewel, general manager of GIT, tbe company which bolds tbe 40-year concessions for the La Paz and Santa Cruz free trade zones, estimates that some 60 per cent of the $400m or so imported into Bolivia via Chile's free port of Iquique is smuggled. Mr Ewel helieves that illegal gnods entering Bolivia from Brazil via Santa Cruz account for $300m of a total of some $420m.

GIT (part of the Banco Industrial-ICE group) bas invested $8m in La Paz free zone infrastructure to date. Some 350 Bolivian companies are now regular users and GIT expects to bandle in excess of $100m this year.

Witb a standard 10 per cent import duty and 13 per cent sales tax, GIT is cnllecting some $25m for tbe Bolivian customs.

In a late October initiative, the La Paz free trade zone inaugurated a direct import service "to help formalise tbe informal trader who spends under $2,000 at any one time," says Mr Ewel.

Those huying through the free trade zone will receive and supply proper invoices, an innovation for the street-sellers of La Paz and their customers.

Santa Cruz's free trade zone started operating in January. This year it will handle some $30m in merchandise, not yet making much of a dent in contraband from Brazil. Smaller free trade zones have also been set up under concession in tbe cities of Cochabamba, Oruro and Puerto Aguirre.

Still pending is reform of Bolivia's customs service which is scheduled for privatisation in the near future.

Stephen Fidler examines the external economy

Debt burden has been eased

Bolivia's inflation rate has fallen dramatically and moderate growth has resnmed. Its deht bnrden bas been lowered through judicious negotiations with commercial and foreign government lenders. The government has no outstanding deht to foreign banks having bonght hack the lnans to banks, in two stages,at steep discounts to face value.

The conntry remains nonetheless highly snsceptihle to external financial and price shocks and over-dependent on financial help from foreign governments, multilateral institutions and non-government organisations from ahroad.

The involvement of these agencies significantly reduces – for better or for worse – the government's freedom of policy actinn and nndonbtedly lengthens the time it takes to make decisions.

Bolivia's exports are still highly concentrated in a few commodities, prices of whicb are dependeot on uncertain world markets.

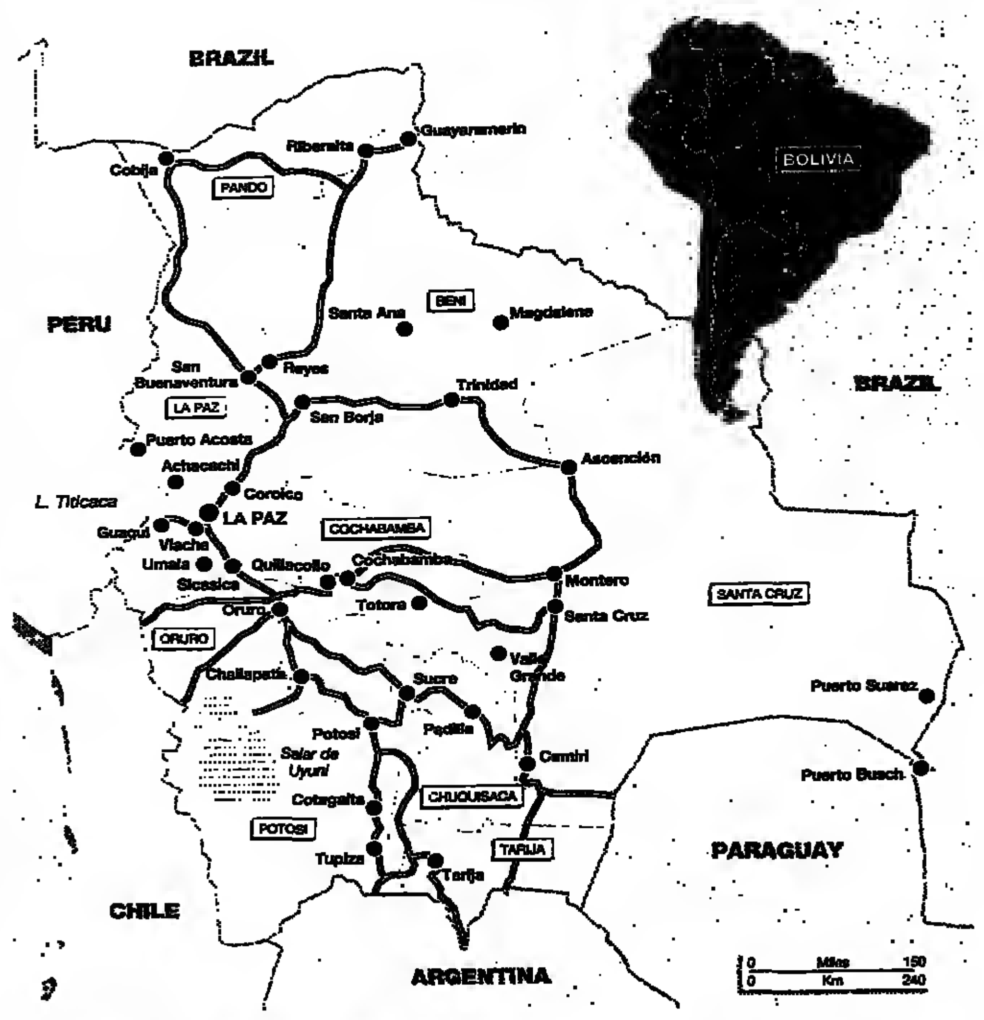
Between 1985 and 1993, the government estimates its terms of trade deteriorated by 60 per cent and the deficit on the current account averaged ahont 7 per cent of gross domestic prodnct.

Last year, the deficit widened to an unsustainahle 13 per cent of GDP, altbongh the picture has improved this year, helped by a sharp rise in non-traditional exports.

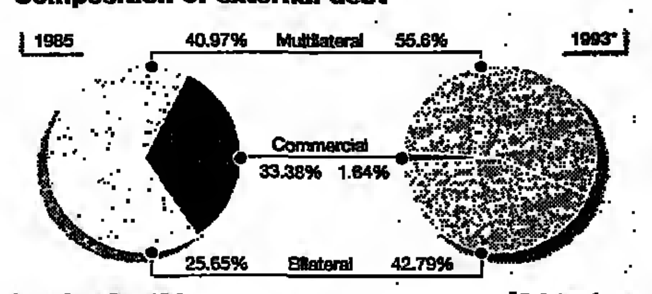
To cover its shnrtfall, the government bas oeeded international assistance. In tbe past, this bas ron at some $700m a year. After the government signed a $140m three-year loan agreement with the International Monetary Fund in Washingtnn last montb, Bolivian officials beaded for Paris tn secure a further $1.1bn aid package to belp finance their reform programme in coming years.

However, the government recognises tbe reliahility of such future flows is open to qnestion. The governments of indnstrialised conntries face intensified budget pressures, and the emergence of competing regions for aid – tbe former communist countries, the Middle East and sonthern Africa – snggest tbat the fnture availability of finance cannot be taken for granted.

Bolivia has one of the highest per capita dependencies on foreign assistaoce in tbe world. "We are going to lower our dependence on aid. It's not sustainable," says Mr Fernando Candia, the central bank president.



Composition of external debt



Source: Central Bank of Bolivia * Preliminary figures

Indeed, debt ratios remain high. Total foreign deht totalled $3.79hn – 55 per cent of GDP – at tbe end of last year, of which abont $1.6bn is owed to foreign governments and $2.1bn to multilateral agencies. The ratio of total debt to exports was 536 per cent at the end of 1992, and deht service accounted for 39 per cent of export revennes.

Because the government's reform efforts are expected to increase the hndget deficit in the next two to three years – the World Bank says the programme will cost 3.5 per cent of GDP during the period 1994 to 1997 – the government's need for finance will increase.

The government is expected to take on the debt of the railways and mining company, but other debts are expected to be transferred to the capitalised companies. The net effect, says Mr Candia, is a net reduction of $300m in public sector debt.

After 1997, the government hopes that increased tax revenues from the capitalised companies will start to improve its financial position. Furthermore, after capitalisation, increased foreign investment flows should allow the country to rednce its dependence on foreign aid and increased exports lower its need for foreign finance.

In the meantime, the sharp increase in non-traditional exports – up 83 per cent in the first half of 1994 over 12 months earlier – has helped the current account position. This year's first-half current account deficit fell 67.3 per cent to to $86.1m from $263.3m last year.

The increase in exports has also been helped by firmer commodity prices. It may also be that at last the economy is responding to a central bank policy which aims to avoid unnecessary fluctuations in the exchange rate and to hold it stable in real terms.

At the same time, lower interest rates overseas and an improved perception of tbe political and credit risk of placing funds in Bolivia has allowed some repatriation of flight capital. As a result, net foreign reserves have now risen to their highest level in Bolivian history: $550m – equivalent to about 5¾ months of imports.

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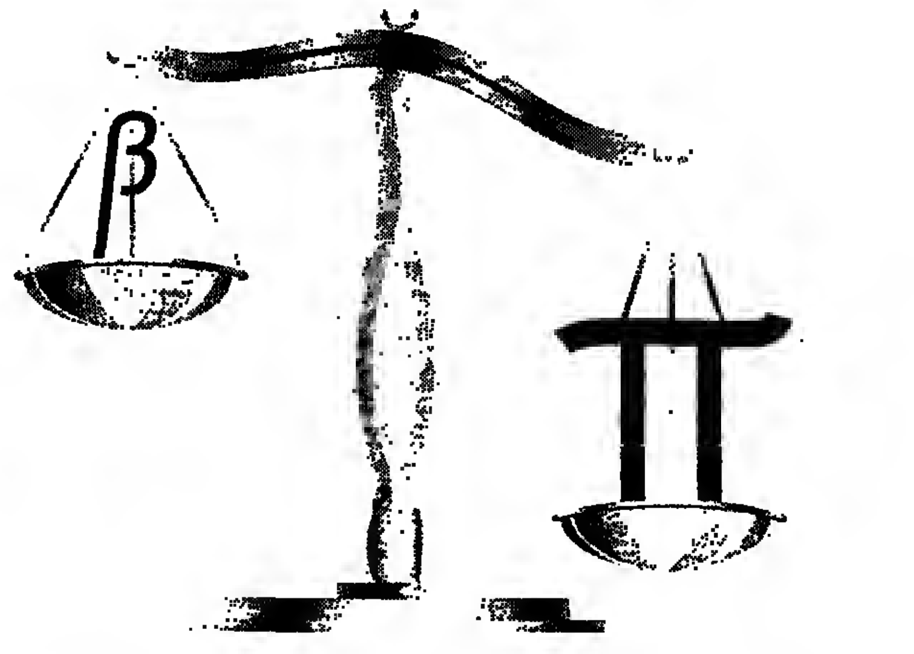

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BOLIVIA IN BRIEF

Main towns

Population in thousands (1988):

La Paz	1,050
Cochabamba	377
Potosi	114
Santa Cruz	615
Oruro	195
Sucre	96

Language

Spanish; also Ouechua and Aymara

Ethnic mix

Soma 30 par cent of the population is Mestizo, 25 per cant Ouechua, 17 per cent Aymara and 12 per cent white, with tha balance classified as "othar"

Entry requirements

Passport required by all Tourist card or visa required by all except citizens of US and certain western European countries (not Franca). Exit stamps needed befnre departure. Non-tourist visitors are required to obtain a 'Detarmined Object Visa.' All visitors must register with tha immigratinn authnrities.

Working hours

Government and husiness: (Mon-Fri) 0900-1200, 1400-1800 (Sat) 0900-1200 (business only)
Public offices: (Mon-Fri) 0800-1200, 1430-1830. Afternoon hours later in provinces.
Banking: (Mon-Fri) 0830-1130, 1430-1700
Shops: (Mon-Fri) 0900-1200, 1400-1800 (Sat) 0900-1200

Public holidays

1995: January 1	(Naw Year)
April 14	(Good Friday)
May 1	(Labour Day)
June 15	(Corpus Christi)
August 6	(Independence)
Novembar 1	(All Saints' Day)
December 25	(Christmas)

TIME:

Four hours behind GMT

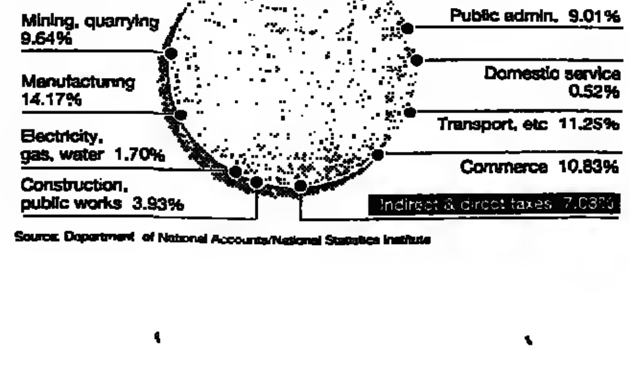
Climate

Tropical below abnut 1,500m, cool abova 3,500m.
Examples: Santa Cruz (437m altituda), mean temperature 23.8°C, averaga annual rainfall 1,157 mm; Cochabamba (2,553m), mean temparature 18°C, average annual rainfall 470mm; El Alto (4,103m), mean temperature 6.8°C, averaga annual precipitatinn 560mm.

Weather in La Paz (3,658m): mean temperature 11.2°C, avaraga precipitatinn: 439 mm, hottest mnnth: Nnvember 6°C-19°C (avaraga daily minimum and maximum), coldest mnnth: July 1°C-17°C, driest month: Juna: 6mm averaga monthly rainfall, wettest month: January: 140mm averaga monthly rainfall.

Sources: EIU Country Profile, World of Information, Europa World Yearbook 1994

GDP by type of activity



Source: Department of National Accounts/National Statistics Institute

KEY FACTS

Area	1,098,581 sq km
Population	7.71m (end-1993 estimata)
Head of state	President Gonzalo Sanchez de Lozada
Currency	Boliviano ($b)
Average exchange rate	1993 $1=$b4.27; 1/11/94 $1=$b4.66

ECONOMY

	1993	Latest[1]
Total GDP ($bn)	6.6	n.a.
Real GDP growth (%)	4.2	4.0
GDP per capita ($)	856	n.a.
Consumer prices (%, year end)	9.3	7.5
Reserves minus gold ($m)	223	256
Total external debt ($m)	4,326	n.a.
Debt service ratio (%)	23.8	n.a.
Current account balance ($m)	-471	-451
Exports ($m)	710	887
Imports ($m)	1,206	1,326
Trade balance ($m)	-496	-439
Main trading partners (1992, % by value)	Exports	Imports
US	16.0	23.3
Argentina	21.5	10.4
Brazil		14.5
Japan		12.6
UK	16.1	
Development indicators	20 yrs ago	latest[2]
Life axpectancy (years)	47.0	59.6
Infant mortality rate[3]	151.0	82.0
Pnpulatinn growth rate (% pe)	2.6	2.5
Dependency ratin[4]	0.67	0.83
Urban populatinn (% of total)	41.5	52.4
Agriculture as % of GDP	20.3	32.6
Adult illiteracy (% aged 15+)	n.a.	22.5

Notes: [1]EIU forecasts for 1994 except reserves (May).
[2]Estimate
[3]per 1,000 liva births
[4]Ratin of dependant population (aged under 15 or over 64) to working age population.
Sources: IMF, World Bank, Economist Intelligence Unit

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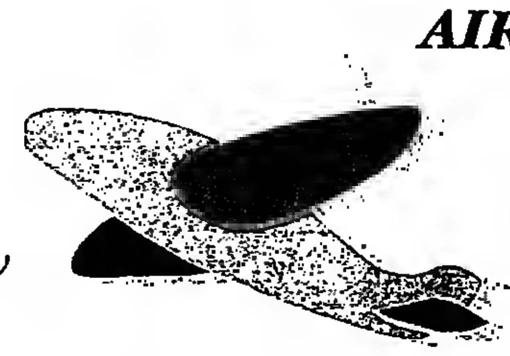
Capitalization

A one-off investment opportunity

ELECTRICITY

Bolivia must develop its hydro and thermoelectric resources to improve services nationally and supply its neighbours.



AIR TRANSPORT

The Bolivian national airline and airports will have to expand their services to allow for increased passenger volume within the country and create an international nexus for the region.

TELECOMMUNICATIONS

Bolivia must double the number of telephones per head over the next few years and attain the levels of technology required by a country needing world-wide communications.

FOUNDRIES

Bolivia is a mineral rich country, but urgently needs the capital to exploit these resources to the benefit of all its citizens.

RAILWAYS

With a modernized rail system Bolivia will become a transport corridor, offering the means to interconnect production centers and ports throughout South America.

OIL AND GAS

In order to fully exploit this wealth, Bolivia must take advantage of its geographical position and realize its potential to become the hub of a hydrocarbons distribution network.

Bolivia is a successful representative democracy with a stable economy. It has one of the most liberal trade policies in Latin America including progressive foreign investment laws. Bolivia has an investment law which guarantees the free movement of capital for payment of interest, dividends and royalties. This law offers national treatment to foreign investors and permits 100% foreign ownership of companies. Bolivia's low cost labor force is skilled and well-motivated.

BOLIVIA
LA NUEVA
Sociedad

Bolivia is a member of GATT, the Latin American Integration Association, the Andean Pact, the Amazon Cooperation Treaty and the Rio de La Plata Basin Treaty. It enjoys free trade with the Andean Pact nations and is a beneficiary of the Andean Trade Preference Act with the United States. Bolivia has also signed preferential trade deals with Mexico, Chile, Brazil, Argentina, Paraguay and Uruguay, and has GSP status with Europe, Japan and the United States.

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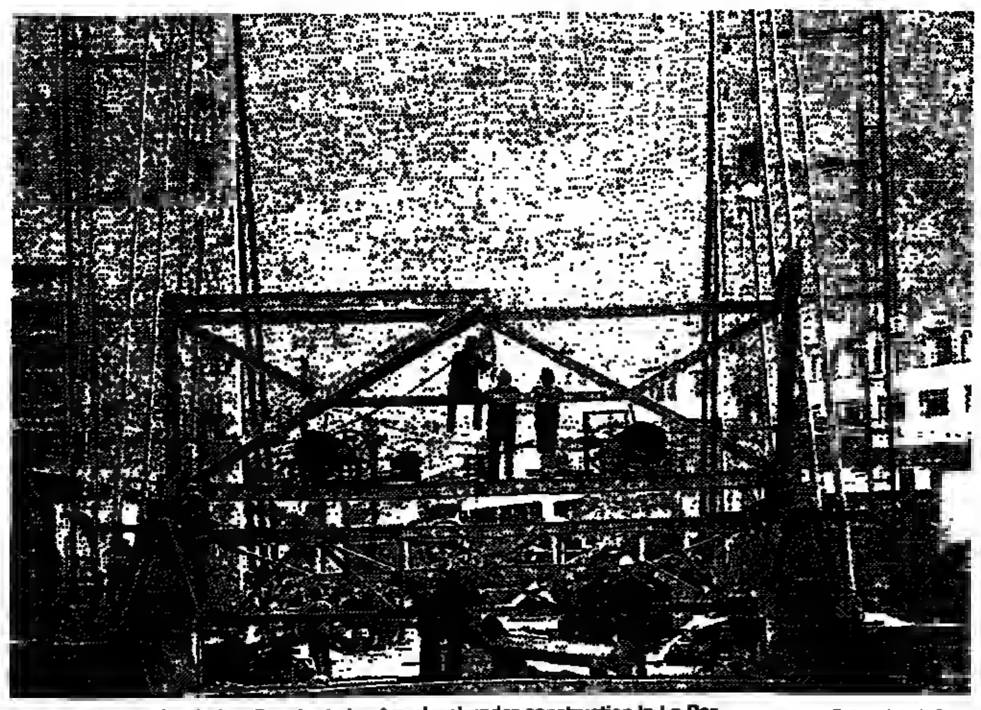
P.O. Box 1583, Edificio Palacio de Comunicaciones, Piso 20, La Paz - Bolivia
Main Telephone: (591-2) 35 1859/5388/7692



Transport is a high priority: 'Puente de las Americas' under construction in La Paz Picture: Antonio Suarez

Sally Bowen examines the infrastructure

Face-lift is overdue

After years of neglect, the vital 500km road link between the rich agricultural fletlands of Santa Cruz and Cochabamba in the central cordillara is being repaired. Along the highway, caterpillar trucks and bulldozers – many belonging to Brazilian road-builders Andrade Gutierrez and Odebrecht under Bolivian government contracts – are shovelling, levelling and asphalting. Flood-damaged bridges are being re-fashioned; new ones huilt.

The country's road system is getting a face-lift, and not before time.

Historically, according to Mr Lucio Paz, transport minister, Bolivia's road and rail system has been the prime obstacle to national economic development. Only 4 per cent of the country's 43,000km of roads is asphalted; more than three-quarters are virtually unusable for six rainy months each year.

Now that Bolivia's development plans hinge on becoming a strategic hub for the South American continent, transport is a high priority. The ministry's ambitious brief is to build 2,700km of roads within the next five years – at an estimated cost of $1.9bn – as well as improving and asphalting many of the existing land connections.

"Our road communications are a bundred years behind our telecommunications," says Mr Paz. "Unless we can make a dramatic leap forward, investors simply won't come to Bolivia." Road improvements could cut high Bolivian transport costs by as much as 50 per cent, he says.

Underlining this message is the rapidly improving condition of the road between Chile's port of Arica (presently the principal route for Bolivia's imports and exports) and La Paz. By late next year, travelling time will beve shrunk from as mucb as six days in bad weather conditions to six hours.

With the decline in reiative importance of minerals transportation, and the boom in soya and other agricultural exports, roads ratber than railways have become the focus of ettention for Bolivia's planners. Officials hope to leave the new investor-operator of soon-to-be capitalised state railways company Enfe to resolve the problems of upgrading, boosting standards and investing in the vital "missing link" between Santa Cruz and Cochabamba.

But road-building is costly. One Bolivian kilometre can cost $300,000 on the flat eastern plains and $1m or more on a mountainous stretch.

The government has some $280m in its present annual budget for roads, "but we need to find new sources of financing construction," says Mr Paz. One plan is to hive off as concessions certain potentially profitable sections to private companies which would build, collect tolls and maintain higbways.

By the end of 1996, the government plans to have 17 more provincial landing strips surfaced

Bolivia's rugged terrain *means that efficient air links* are essential. Many of the 37 airports are rudimentary: only 10 have tarmac and just two (La Paz and Santa Cruz) are classified as international. By tbe end of 1996, the government plans to have 17 more provincial landing strips surfaced and their infrastructure improved.

The government of Japan, meanwbile, is donating $30m to re-equip the capital's El Alto airport, extend the runways, upgrade lighting and improve communications and traffic control systems. Japan has also helped out with road-building equipment and seven hridges to link primarily Japanese agricultural colonies in Santa Cruz department to main highways.

"We're knocking on everyone's door for financing," says Mr Paz. He has $12m in the bag from the Inter-American Development Bank to upgrade the road link from La Paz to tbe Peruvian frontier at Desaguadero, thus opening up access to the as-yet undeveloped free port facilities and coastal strip granted by Peru to Bolivia in Ilo.

In tbe otber direction, an *international tender will* soon be sought for upgrading tbe 640km dirt road eastwards from Santa Cruz to San Matias on the Brazilian border.

This will open the way for thousands of tonnes of soya beans from the Mato Grosso in south-west Brazil to cross the continent through Bolivia for eventual shipment to Asie through Peruvian or Chilean Pacific seaports.

Also arousing the enthusiasm of top-level politicians and planners is the so-called "hidrovia", a 2,700km Paraguay-Parana waterway system which provides a link between landlocked Bolivia's Puerto Suarez, a river port on the frontier with Brazil, and the River Plate estuary.

Initial investment – in dredging the shallow upper reacbes and providing proper signalling so that barges may also move cargo hy night – is estimated at about $11m. These improvements, say analysts, will cut transport time in half and slash the high costs (between $15 and $18 a tonne) between Bolivia and Buenos Aires. Financing has already been offered by the IADB and tbe UN Development Programme.

A totally new port is also planned at Puerto Busch, on the Paraguay river and some 140km south of existing Puerto Suarez. The state will build the road, say government officials, and leave private enterprise to develop port facilities. The European Union, and in particular the Belgian government, has offered assistance.

Richard Bauer assesses Bolivia's role as an energy exporter

A cherished ambition

Bolivians are sloughing off their century-old dismay at being landlocked. Suddenly, the condition is perceived as a positive asset. "We aim to become the natural gas distribution huh for the southern cone of Latin America," says Mr Mauricio Gonzalez, president of the state-owned petroleum company YPFB.

Mr Claude Bessé, adviser to the government on the capitalisation of state power company Ende, is in equally optimistic and expansionist mood. "We want to use our geographical position to satisfy growing demand for electric energy in surrounding countries which have poor supply and high prices," he says.

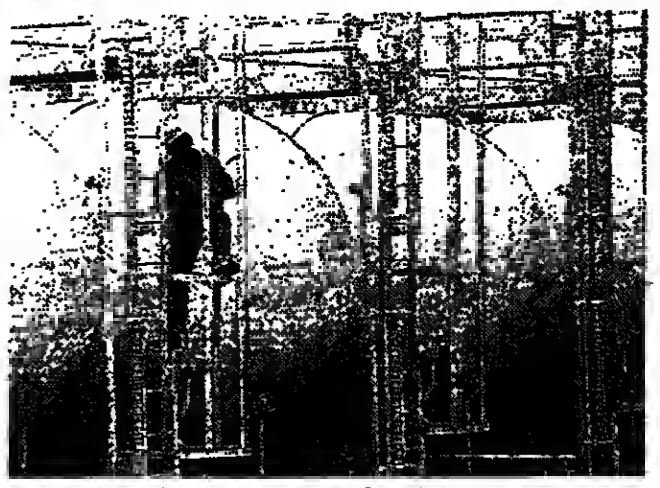
The idea of serving both as an energy "bridge" and exporting gas and electricity to its neighhours has hecome a Bolivian *leitmotiv*. "Macro-economic stability and the possibilities of sustained growth depend in large measure on the health of the hydrocarbons sector," says Mr Herbert Muller, the former Bolivian energy minister who helped engineer the ground-breaking February 1993 gas export agreement with Brazil. "The projected gas pipeline will be the engine for Bolivia's economic growth."

Bolivia's proveo natural gas reserves of 6-7 trillion cubic feet are enough to meet south-west Brazil's energy needs for the next decade, says Mr Fred Drew of the Santa Cruz office of Broken Hill Proprietary, the Australian gas exploration and production specialists. Bolivian gas output has been steady at about 500m cu ft a day for the past 12 years.

Hydro-electric generation, meanwhile, has scarcely been touched. Presently, only 2 per cent of an estimated 18,000MW potential is exploited. Possibilities for cbeap hydro projects abound, according to Mr Julio Leon Prado, founder and president of ICE, Bolivia's largest construction company. He believes local construction costs will he substantially lower than in neighbouring countries.

For 22 years past, Bolivia has exported 200m cu ft a day of natural gas to Argentina via a 600km, 24-inch pipeline originally co-financed by the World Bank, the Inter-American Development Bank and the New York State Common Retirement Fund *(NYSCRF)*. The contract expired in 1992 hut delivery continues uninterrupted at $1 per 1mBtu despite recent Argentine deregulation and competition from the local hydrocarbons industry.

But Bolivia's cherished ambition is to break into the huge Brazilian market. For years, it has been thwarted by internal squabbles within Bolivian governing elites on the one side and protectionist, oil-burning Brazilian state industry on the other. Now, the two state hydrocarbons companies, YPFB and Petrobras, have reached a 20-year sales purchase agreement.



Gas pressure is checked at a plant near Santa Cruz Picture: Richey Rogers

Initially, YPFB will supply 280m cu ft a day rising to 560m cu ft within seven years. Bnt Brazilian demand for natural gas could well increase to 1,500 cu ft a day by the year 2000 and 2,300 cu ft by 2005, says Mr Gonzalez.

He predicts: "There will be Bolivian gas in São Paolo by the end of 1997". The projected 32-inch 1,800km pipeline will run from Bolivia's Rio Grande to Campinhas, 90km west of São Paulo. In a second stage, a 420km, 22-inch line would serve the town of Curitiba. And Petrobras plans another 570km line running south from Curitiba to Puerto Alegre.

Brazilian-Bolivian negotiating tensions were relaxed by President Gonzalo Sanchez de Lozada's personal intervention in August. Now Petrobras will have only a 15 per cant stake *in the 560km Bolivian section* and 80 per cent in the Brazilian stretch of the pipeline. YPFB will have 85 per cent of its home stretch and 20 per cent of the Brazilian end.

Bolivia's partner on hoth sides of the border will be Texas-based Enron, which has a 40 per cent stake in the YPFB participation. Petrobras, meanwhile, *has gone into association* with the "BTB" Group, which holds 25 per cent of the holding for the Brazilian side. "BTB" comprises BHP, US natural gas company Tenneco and the experianced distrihutors British Gas.

Biggest nuts still to crack are finalising finance for the $2bn-$2.6bn project, the largest of its kind ever in Latin America, and fixing the gas price. The World Bank, meanwhile, still appears reluctant to commit itself to a venture where Petrobras, a state-owned company, holds the majority stake.

Industry sources, however, say the pipeline will easily secure private sector financing provided there are adequate guarantees against political risk – particularly against a possible Petrobras pull-out.

Analysts say Bolivia could deliver gas to São Paulo at e highly competitive rate of les than $2 per 1mBtu, half the ceiling price it would cost to ship Venezuelan or Nigerian liquefied gas to the region. Bolivia's negotiating position as a purveyor of clean natural gas has been strengthened since the 1992 Rio "earth summit" boosted ecological awareness in badly-polluted São Paulo, according to Mr Muller.

A Bolivian government adviser points out another crucial factor: "The Brazilians have realised that, without Bolivian gas, they'll be suffering energy brown-outs in two or three years."

A similar project for exporting gas to northern Chile is in an advanced stage of planning. The 1,100km Villa Montes-to-Antofagasta pipaline oould start delivering to one of Chile's main mining regions by early 1997. A 20-year agreement in principle has been signed between YPFB and Enap, Chile's state oil company.

YPFB has antered a joint venture with BHP. The two will split equally a 90 per cent stake in constructing and operating the pipeline, while Enap will take the remaining 10 per cent. US investment bank Morgan Stanley has been selected as financial edviser.

While gas exports to Argentina are already two decades old, and new ventures with Brazil and Chile are presently top priority, exporting electrical energy from Bolivia would be a complete innovation. The idea apparently sprang up only recently when state power company Ende was being offered to foreign investors.

"We were told our tiny, 750MW internal market is not attractive enough for overseas hiddars," says Mr Gonzalo Chavez of the energy ministry. "Investors are seeking opportunities to convert Bolivia into a major electrical energy distributor for the southern cone."

Mr Fernando Campero, e former industry minister and now chief executive officer of Saxxon Capital, a Bolivian stockbrokerage, is more sceptical about this late-in-the-day brainwave. "They invented the scheme of electrical energy exports to speed up Ende's capitalisation but without proper feasibility studies," he says.

Other experts fear that electricity exports may directly compete with natural gas in little-developed markets.

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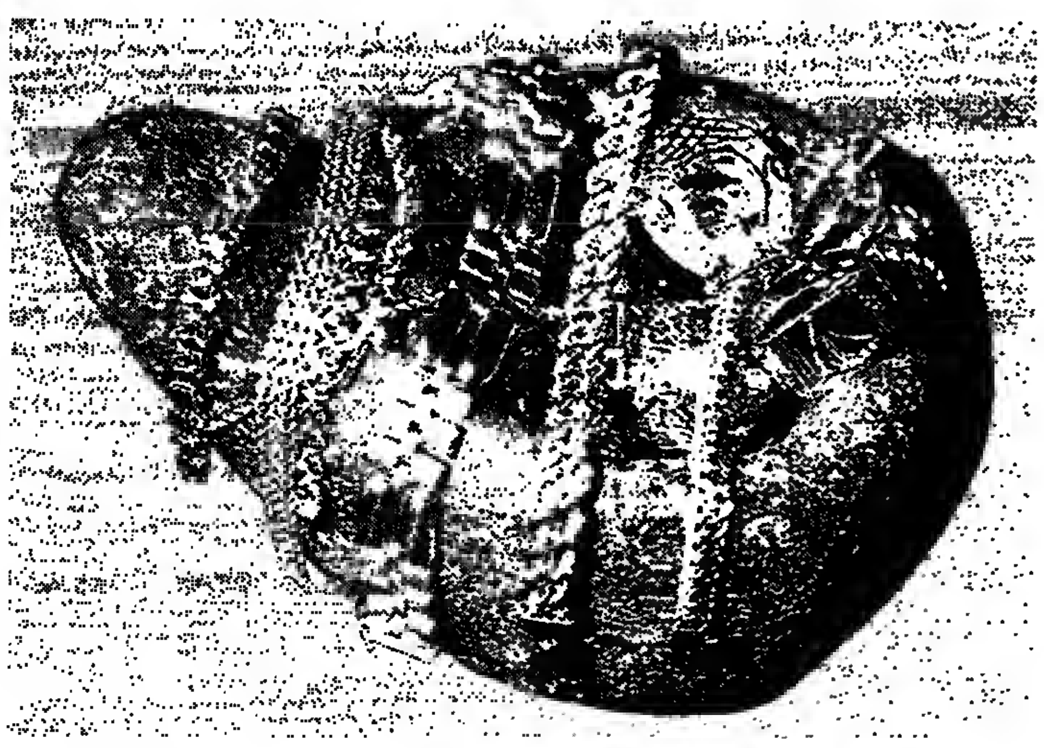

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BOLIVIA V

The mining industry is undergoing a series of profound changes, writes **Sally Bowen**

Minerals have always been a mainstay


A tin miner from the Milluni mine near La Paz

Bolivian mining is undergoing a series of profound changes – in the types of minerals extracted, in production techniques and in patterns of ownership.

Minerals have always been a mainstay of the Bolivian economy, but successive price collapses affecting silver, tin and antimony drove minerals exports down to less than one third of Bolivian foreign exchange earnings in 1986. Today, with zinc and gold output increasing rapidly, minerals again account for almost half of export revenue: some $380m last year.

An estimated 80,000 Bolivians still depend on mining for their livelihoods, some of them literally scratching ore from narrow veins in underground shafts with long, primitive nails. But the open-cast mines and heap-leaching techniques being introduced by foreign concerns in joint ventures with Bolivians point to a different mining future.

"Eight years ago, *no one would touch* Bolivia," says Mr Charles Bruce, chief executive officer of local mining consultancy Mintec. "Even in 1991, there were only four foreign companies operating here: now there are 40."

Simultaneously, the state is rapidly *withdrawing from productive mining* activities. While mining giant Comibol was responsible in its 1980-85 heyday for about two-thirds of all Bolivia's tin and zinc output, by last year its share had fallen to 35 and 20 per cent respectively.

Comibol's smelters and refineries are on the capitalisation list. Mines, deposits and exploration areas, meanwhile, are being made available to private investors either via leasing contracts or joint ventures with Comibol to get round constitutional restraints on ownership transfer of nationalised assets.

Only three of Comibol's mines are operational: Huanuni, Colquiri and Caracoles. Continuing losses obliged the remainder to be closed down. Comibol's workforce, which peaked at almost 30,000 in 1984, has been cut back severely – mainly in the second half of the 1980s – to some 2,500, of whom more than 1,000 are employed at the *Vinto smelter complex. Cash flow is* now positive.

Comibol's most attractive opportunities are in the department of Oruro, on the altiplano south of La Paz. Largest is the Huanuni *tin* deposit near the town of Oruro, originally owned by Bolivian tin *magnate* Simon Patino. *Despite* its already-long life, Huanuni has soma 8m tonnes of proven and inferred reserves and mining experts consider prospects for further finds bright.

Colquiri has good unexploited zinc reserves along with its tin. And the polymetallic San Jose mine, non-operational since mid-1992, could also prove an interesting prospect for zinc and gold; its traditional lead-silver concentrates will acquire new worth if and when the Karachipampa smelter is finally started up.

Comsur (Bolivia's largest mining concern, owned by the Sanchez de Lozada family and now in association with Rio Tinto Zinc) will be the first private company to commence joint production with Comibol. Comsur-RTZ has put up $15.8m for a lead-zinc concentrator at Comibol's under-exploited Bolivar deposit. Profits from the 15,000 tonnes of concentrate, the *projected output from next year* onwards, will be split 50-50.

"We've found Comibol to be very good partners," says Comsur's CEO Mr John MacLean. "Reserves are better than expected; we're on budget and on time."

Part of the attraction for foreign compa*nies is the modern 1991 mining code which* guarantees equal treatment for foreign and national companies and free remittances of profits abroad.

Foreigners may now also – in joint ventures with Bolivians – explore and develop the previously prohibited but potentially rich zones within 50km of Bolivia's borders.

The code is being further modified to improve the present chaotic claims procedures and to clarify certain elements of tax law. Mr Gonzalo Barrientos, under-secretary of mining, is confident that these provisions and promotion of joint ventures with Comibol will boost minerals exports earnings to $800m within five years – "and that's without factoring in new exploration," he says.

In the brave new world of Bolivian mining, traditional tin and tungsten have a declining role: tin earned just $83m last *year, down from the 1981 peak of $266m* (even though gross production is little changed). Zinc, however, is on an upward path: last year's sales of $120m represented 16 per cent of total Bolivian export earnings. And revenue from gold should outstrip zinc by next year.

To date, exploration has been restricted to the so-called "Cordillera Real", the traditional silver and tin-mining zone. But new companies, in search of precious metals, are concentrating on the western Cordillera and the pre-Cambrian and greenstone belts east towards the Brazilian borders.

Among other diversification possibilities, Bolivian miners ara once again talking seriously about developing their iron reserves. "*El Mutun*" *is* a *40,000m* tonne deposit – one of the world's largest – with between 30 and 50 per cent iron. It is located in Bolivia's Busch province, some 600km east of Santa Cruz on the border with Brazil.

El Mutun's potential has been known for decades but development has been limited to small-scale open-pit exploitation due to local power and transport problems. All operations are presently suspended.

A *Brazilian-Japanese consortium*, however, is reviving a large-scale exploitation project. And the Latin American Integration Association (Aladi) has recently proposed construction of iron and steel plants nearby to serve Bolivia and export to Argentina, Uruguay and Brazil.

The gold sector: from ore to earrings

Success stimulates

Gold crops op in some of Bolivia's most unlikely-looking settings. The promising Don Mario deposit, jointly owned by Billiton of the US and Bolivia's Emusa, juts out starkly bare above the lush surrounding vegetation of the eastern jungle. The *rich Inti* Raymi gold mine, Bolivian-run but now majority owned by Battle Mountain of the US, lies on the barren plains of the Altiplano, lifeless but for a few small herds of vicuna.

Inti Raymi claims to be South America'a most modern and technically advanced gold mine. It is also one of the largest, with 1994 output expected to top 300,000 ounces.

"It's acting as a magnet for other prospective investors," says Mr Charles Bruce of Mintec, a private mining consultancy which operates in Bolivia in association with Minproc. Mr Bruce has been evalnating for clients more than 150 claims in Bolivia's western cordillera, hitherto neglected by miners. He is "convinced we'll see at least eight gold mines developed in this area."

Bolivia's gold output, an esti*mated four tonnes in 1991, is* already about three times that *now* – "and likely to triple again in another five years," says Mr Bruce.

Inti Raymi started back in 1982 as Bolivia's first small open-pit operation, leaching oxides for gold and silver. By 1986, it was producing a relatively modest 30,000 ounces of gold a year. But for Bolivians, accnstomed to traditional underground mining, Inti Raymi's technology already represented a quantum leap.

Just two years ago, Battle Mountain increased its stake to 88 per cent. An investment of $160m (including $40m each from the World Bank's International Finance Corporation (IFC) and Opic, plus $15m from CAF, the Andean Development Corporation) permitted construction of an agitation leaching plant and a vast 2.5km-diameter tailings dam designed by Knight Piesold.

With 2.3 grams of gold per tonne of ore and production costs at $220 an ounce, Inti *Raymi is attractive business.* In this, its first full year of operation, sales are expected to top $105m. Next year, a new recovery plant will boost output to some 320,000 ounces.

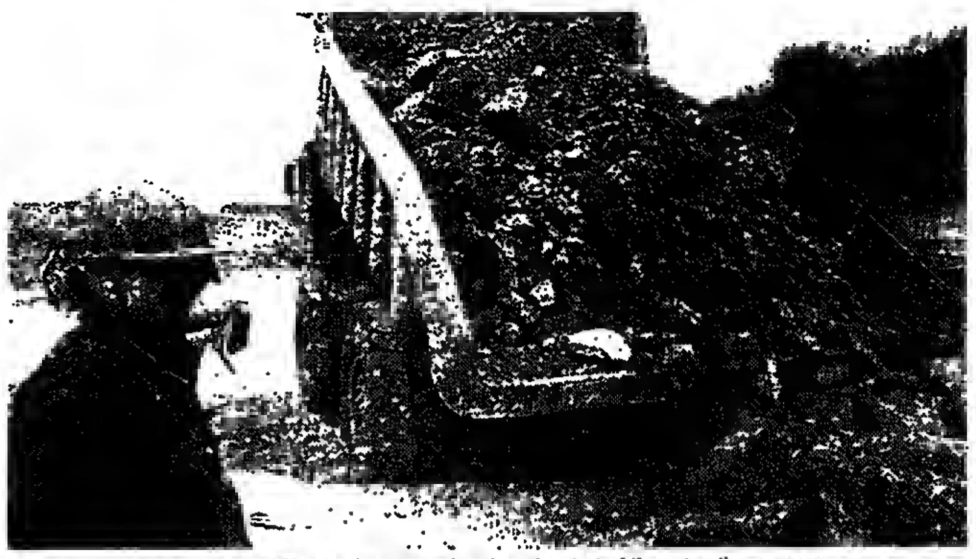
Inti Raymi's success has belped stimulate investor interest in Bolivian gold. In early October, three foreign companies won concessions for a total of 175,000ha of potentially attractive gold deposits, owned but never developed by state mining company Comibol, in Bolivia's western cordillera.

One section went to American Barrick, another to La Barca (a Battle Mountain joint venture with Emusa) and the third to Samex, a new Canadian-Bolivian joint venture. The three beat off bids from Auspac of Australia, and Orvana, Echo Bay and Teck, all of Canada.

The other facet of Bolivia's incipient gold bonanza is hundreds of kilometres from the ore deposits. Perched above the *modern city of La Paz lies a* sprawling, often ramsbackle town known simply as "El Alto": the beights. Most of El Alto's inhabitants are country folk, escaping tbe crushing poverty of the barren Altiplano. Many of them are miners and their families, refugees from the mid-1980s tin crisis which threw tens of thousands out of work.

Set amidst tyre repair shops and small grocery stores, down an unsurfaced side-road, is El Alto's response to the unemployment problem: a collection of buildings where 400 youngsters make gold jewellery for export. This year, this company, Orbol, will export bracelets, earrings and gold chains worth nearly $100m.

Located in the nearby industrial free zone of El Alto is Christies, a joint venture between Bolivian entrepreneur Ms Christina Leon and Italian jewellery makers *Gori & Zucchi*. Christies employs some 600 in its main factory with another 1,400 outworkers in surrounding villages who painstakingly thread tiny links for gold chain necklaces.


Gold output has trebled since 1991. Workers unload rock at the start of the extraction process *Picture: Rickey Rogers*

"Gold jewellery has been an enormous success story," says Mr Carlos Morales, trade and industry minister. in the first half of 1994 alone, exports in this category earned *Bolivia* $53.8m, more than three times tbe revenue for tbe same period last year. And most of that comes from a handful of factories and small workshops in La Paz.

Orbol started operations almost six years ago. The initial stimulus came from the "Ritex" law which allows temporary duty-free import of *goods to be re-exported under* the "maquila" process.

"At first, wa imported 100 per cent of our gold as wire from the US, transformed it into jewellery and re-exported," says Mr Jesus Sillerico, general manager. "Now we're buying 85 per cent of our gold locally from small producers and co-operatives. Most of that used to leave Bolivia as *contraband* with *no benefit to* the country."

Orbol's gold jewellery is aimed at mass market, distributed through some 40 wholesalers mostly within the US. The gold is lightweight and hollow bnt workmanship is good quality. At start-up, Orbol brougbt in craftsmen from Mexico and Peru to train locals.

Orbol and a handful of similar outfits now employ thousands of Bolivians, almost all young, often straight from the countryside and in their first jobs. Working conditions are unsophisticated but relaxed and workers are apparently content with the $100-$120 they can take home each month.

Mr Sillerico says that even at these wages, profit margins are slim. The tax drawback system, he says, returns to exporters the equivalent of 5.4 per cent of sales; profits are maybe 1.5 per cent.

"We're doing what the country needs most – providing work and earning foreign exchange," he says. "But we couldn't survive without incentives. The jewellery export business will continue as long as the government doesn't change the rules of the game."

Sally Bowen

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BOLIVIA
LA NUEVA
Sociedad

Stephen Fidler explains the capitalisation process

Cornerstone of reform programme

President Gonzalo Sanchez da Lozada calls capitalisation the cornerstone of his government's reform programme. It aims to sbift companies responsible for 12.5 per cent of Bolivia's gross domestic product to the private sector.

But the idea is not to sell the six state companies involved directly to private buyers. It is to entice foreign investors to make investments in them in return for ownership, typically, of half the company. The remaining portion – apart from a small distribution to workers – will be distributed to an estimated 3.8m Bolivians as pensions contributions.

This, it is hoped, will prevent opposition to the proposal from Bolivians who – according to opinion polls – associate privatisation with a loss of national sovereignty and corruption.

The idea is to stimulate investment and thereby boost growth. The government estimates that these reforms should allow growth to rise steeply to 7 per cent by 1999. Without this, and other reforms, it estimates growth of 4.7 per cent.

The proposal to capitalise, rather than privatise, has some disadvantages. In the early years, rather than bolster government finances, it worsens them – because no revenues are received from the sale of the company. This risks e short-term increase in the government's already heavy debt burden. Some potential investors are also likely to see the mechanism as excessively complicated.

The project has many burdles still to overcome. A raft of legislation is needed following the overall capitalisation law passed this year: laws to establish an overall regulatory system for the capitalised companies, on the electricity, telecommunications and hydrocarbons sectors, a tax reform, adjustments to the mining code and a transportation reform are all required.

After this, a law for pension fund reform is needed. Opposition from employees, trade unions and other interest groups must also be surmounted. The government will lastly need to demonstrate financial success.

The keys are the first capitalisation, of the electricity company Ende and of the oil company YPFB – alone responsible for 9 per cent of GDP. Officials admit tbere may be difficulties in capitalising the state airline, the railway and the mining assets.

However, the impression that many Bolivians have – that the public sector companies are profitable and contribute to the budget is false, says Mr Fernando Candia, the president of the central bank.

Although the companies run an operating surplus of about 0.8 per cent of GDP, debt servicing costs are equal to 2.5 per cent of GDP, producing a net deficit of 1.7 per cent.

The one-time costs associated with the capitalisation and other reforms will raise the budget deficit in 1995 and 1996.

According to a $140m three-year loan agreement signed with the International Monetary Fund last month, the deficit will rise to 4.4 per cent of GDP next year, and closer to 5 per cent in 1996, from an expected 3.3 per cent this year.

Eventually it is hoped that increased tax revenues from the capitalised companies will more than make up for the initial shortfall.

Mr Edgar Saravia, capitalisation secretary, says tbat the capitalisation programme is about six weeks behind schedule, but believes that by July next year, the first stage of the programme – the handover of the companies to foreign operators – should be complete.

The remaining shares will be held in trust until the pension arrangements can be established, to allow them to be distributed among every adult Bolivian. This will not be an easy task, in part because the stata has no record of the names of a majority of its citizens.

The government agonised over whether to take the time to legislate the reform – as the World Bank was urging – or whether to move more rapidly, as the Argentine government had in its privatisation programme, by presidential decree. "Bolivia is not a country where people look at the outset to make their investments. To the degree that we can give outside investors more stability – for example through legislation – we think we will be more successful," said Mr Saravia.

Problems in establishing satisfactory regulation of the Argentine companies after privatisation helped to persuade the government that it should first establish regulatory regimes before the companies were moved to the private sector.

Capitalisation will not necessarily stop with the sale of existing companies. Mr Saravia says some of the money raised by the flotation of Cochabamba Power and Light, now a subsidiary of the state electricity company, Ende, will be used to start a long-awaited project to drill a tunnel through the mountains to bring water to the parched city of Cochabamba.

Foreign government donors were to be asked to consider matching the expected $19m funding with a similar amount. Then, once the drilling is complete – no private sector investor is likely to take on the drilling risk – the whole Misicuni project may be capitalised with a private sector investor.

Huanuni mine, one of Bolivia's principal tin mines, owned by state mining company Comibol Picture: Mike Midgley

Enaf metallurgical plants

Details under discussion

The Enaf-Vinto metallurgical smelter complex just east of Oruro, is close to Bolivia's principal tin mines, Huanuni and Colquiri, owned by the state mining company Comibol. Between them, the two produce some 7,000 tonnes of tin concentrate a year – of a national total of about 18,000 tonnes.

Comibol officials expect tin concentrates output to rise to anything between 23,000 and 39,000 tonnes after Huanuni and Colquiri are transferred to the private sector through joint venture or leasing agreements.

Vinto is a Comibol subsidiary. Because It was never nationalised, there is no constitutional obstacle to transfer of ownership.

Rationalisation has cut the workforce sbarply to about 1,000 from the 2,000-plus employed in the mid-80s while productivity in certain areas, such as the tin smelter, has increased many times over.

The German government has donated DM10m for environmental control project.

The Vinto complex comprises three metallurgical plants, two for tin (high grade and low grade) plus an antimony smelter. All came on stream in the 1970s.

The high-grade, German-built smelter uses the fuming process, which allows treatment of complex concentrates such as Bolivia's in a single stage.

"Vinto is good business, it requires little new investment and enjoys a high international reputation – the Enaf trade mark for 99.95 per cent pure tin is known worldwide," says Mr Carlos Moreles, adviser to Comibol.

Antimony production was recommenced in mid-1990 after heavy operating losses caused a 4½-year stoppage.

Bolivia has traditionally been the world's second-largest antimony producer after China and ahead of the former Soviet Union and South Africa.

Output, at some 6,000 tonnes a year, is less than half of that produced a decade ago, however.

An interesting Item on Comibol's books is the Karachipampa lead and silver smelter and refinery, built in the mining department of Potosi in the early 1980s by a German-Belgian consortium.

The complex cost $147m and installed capacity is for 51,000 tonnes of concentrate a year.

Karachipampe was bammered by problems at its scheduled 1985 start-up.

Bolivian lead concentrate output slumped to levels inadequate to supply the smelter, while the Soviet Kivcet technology used for the smelting process was seriously questioned.

As a result, Karachipampa never went into operation.

The panorama is now somewhat brighter. Lead concentrate production is on the increase with some 25,000 tonnes projected for next year; and the Kivcet process has been given the metallurgical green light, witb several western countries now employing it.

According to Mr Morales, the plant's unused machinery and equipment has been well maintained and is virtually ready to go.

The government has assumed all Karachipampa's debts. A private sector operator would be free to enter into a joint venture or lease option for Comibol lead-silver mines such as San Jose or San Vlcente, or to buy from private producers in the area.

Precise details of capitalisation are still under discussion.

The Vinto smelter and refineries could well be offered as separate packages along with complementary Comibol mining deposits to ensure a raw materials source.

Sally Bowen

YPFB petroleum company

Energy wealth wasted

It is not only the local coca growers that bave put the subtropical Chapare region near Cochabamba under threat. Oil and gas fields discovered in 1993 and developed by the still state-owned petroleum company YPFB are turning the Cbapare into an ecological danger zone.

Campo Carrasco, 300km west of Santa Cruz along the coca trail, is typical. On one side of the road, a seedy night club advertisement offers engineers, coca-growers and drug dealers "pleasant company". Opposite, e 7km side-road comes to a less pleasant end – a gigantic gas torch protruding from the lush vegetation throws ont scorching flame, testimony to decades of mismanagement hy historically corruption-riddled YPFB.

Evidence of mismanagement: Campo Carrasco gas flare Picture: Richard Bauer

Day and night, and not just in the Chapare, gas from YPFB wells is burned off. As much as 20 per cent of Bolivia's non-renewable hydrocerhons wealth, instead of being reinjected or transported to final consumers, goes straight into the etmosphere.

"It's bad planning by previous administrations," says Mr Meuricio Gonzalez, YPFB's Oxford-edncated president, appointed when the new government took office in August 1993. He is charged with capitalising Bolivia's most important state-owned company.

"Capitalisation Is a highly expeditious and cost-efficient way of financing the $1bn minimum YPFB needs over five years for upstream development," says Mr Gonzalez, who prefers to describe the state's qnasi-monopoly as a "dominant position in the local market".

Bolivia's only hydrocarbons export is natural gas to Argentina worth $120m a year. National production shortages meant oil-and-gas-rich Bolivia was obliged to start importing diesel fuel in 1993.

YPFB is far and away the country's largest company. Its 14,900-strong workforce produces some 400 cu ft of natural gas and 27,000 barrels of oil a day. Revenne from YPFB is central government's single most important source of income; militant YPFB unions its biggest headache.

Mr Gonzalez says YPFB's new partner will inherit the joh of restructuring the workforce: so far it has been rednced by just 800.

The YPFB capitalisation timetable – and its eventual price tag – will be dependent on negotiations over new gas markets in Brazil and Chile, on a new hydrocarbons law and on passage of deregulatory and environmental norms. "These are exciting times – we're moving ahead terribly fast on all fronts," says Mr Gonzalez, who aims to have the capitalisation process completed by mid-1995.

Industry reaction is mixed. "The government is taking the right steps," said e foreign oil execntive based in Santa Cruz. "But no-one knows how they intend to get investors on the boat." Special concern exists about environmental liabilities such as unplugged holes and claims for past damages.

Whether to offer YPFB as a whole or as a series of packages – as the World Bank is urging – is still being studied, according to Mr Alfonso Revollo, capitalisation minister.

If the government decides to keep YPFB as a single entity, it must then decide whether to allow one trade buyer to buy np half the company. Some government advisers think this would risk submerging Bolivia's biggest company into a foreign oil giant. So they are proposing a sale of a 20 per cent stake to an investor that would manage the company, and the sale of 30 per cent to institutional investors in international financial markets. This wonld maximise the long-term valne of the 50 per cent of the company being distributed to Bolivians, they say.

Leading international companies such as Exxon, Occidental Petroleum, Amoco and Shell have shown keen interest in partnering YPFB, says Mr Revollo. Newly-privatised Argentine oil company YPF is also likely to be interested.

"By smashing the anachronistic YPFB monopoly and introducing an attractive fiscal regime for upstream activities, the 1990 hydrocarbons law set the stage for aggressive oil and gas exploration by private companies both foreign and national," says Mr Herbert Müller, the former energy minister.

Now, on the way to capitalisation, the hydrocarbons law is again under revision – in late October a twelfth draft sought still more "agile mechanisms that will stimulate investment", according to Mr Gonzalez. The new law will require private companies and YPFB to sign hydrocarbons contracts directly with the government.

Latest World Bank projections envisage a 12.5 per cent royalty for the producer regions, a 19 per cent tax on production for existing contract-holders, a 25 per cent corporate income tax and a 50 per cent royalty on ontpnt from YPFB-operated fields. Industry, meanwhile, is pressing hard to be able to write off exploration costs during the first year of production.

Oil companies – mainly foreign – have to date signed a total of 16 exploration-operation contracts or embarked on joint ventures with YPFB. The state company estimates its operations presently cover only 15 per cent of Bolivia's oil and gas-bearing territory; joint operating contracts account for another 22 per cent and 12 per cent is in the final negotiation stage. "The rest is up for grabs," says Mr Gonzalez.

Richard Bauer

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Richard Bauer reports on small privatisations

Elfec is a special case

No fewer than 72 Bolivian state-owned companies out of a total of 160 will come under the hammer in the next few months. Companies controlled by the armed forces or local municipalities, and those directly dependent on ministries remain untouched for the time being.

"The companies to be privatised are small to medium-sized so the transaction costs involved make capitalising tbem unfeasible," eays Mr Jorge Harriague, director of Bolivia's privatisation programme, the low-profile complement to tbe government's ambitious capitalisation project.

"Their economic impact may be pretty marginal, but we have to privatise fast and get tbe state out of commercial activities once and for all."

Companies to be offered to private investors in straight sell-offs range from run-down hotels to dairy plants, from animal feeds processing factories to a small airline. The most expensive carries a price tag of about $12m, but many are virtually bankrupt and have book values of less than $1m apiece. The whole package could fetch between $45m and $55m, according to Mr Harriague.

Investor interest centres on half e dozen promising concerns. Hilanderia Santa Cruz, a yarn producer which cost $50m to build, and a sugar mill in Bermejo, top the list. The dairy plants in Santa Cruz, Cochabamba and La Paz, plus two cement factories in Sucre and Tarija, are also expected to be keenly contested.

Bolivian privatisation commenced under the previous administration of Jaime Paz Zamora when 24 public companies dependent on the regional development corporations were sold by auction. The modest proceeds – some $20m – went, as the law requires, into social spending. Nine others were simply liquidated. No sales heve been made so far under the Sancbez de Lozada government.

A special case is Elfec, the reletively efficient state-controlled Cochabamba power distribution company. Ninety per cent of Elfec's shares, worth some $32m, is scheduled for flotation on the London and La Paz stock exchanges in the next few months.

"This will help kick-start the capitalisation programme; it's a significant milestone in the development of Bolivia's capital markets," says Mr Peter Earl, a director of the Fieldstone Group of London, one of the architects of the Elfec offer.

Elfec has had private shareholders ever since it wae founded in 1908 by the Bolivian Suarez family. Ende, the state electric energy producar en route to capitalisation, presently holds 70 per cent of Elfec. The Cochabamba municipality bolds a further 22 per cent; smaller municipalities 4 per cent; and the remainder is split among some 2,000 shareholders.

Ende and the city of Cochabamba are expected to dispose of the bulk of their boldings. Cochabamba's city fathers plan to use the cash to embark upon a long-delayed but increasingly urgent Mieicuni project: to bore a tunnel through the Andes and bring water from the Amazonian side of tbe cordillera to the thirsty Cochabamba valley.

هكذا من الأصل

Lloyd Aéreo Boliviano state airline

Attractive traffic rights

Lloyd Aéreo Boliviano (LAB), the state airline, may not be the first, or the largest, state industry to be capitalised, but it may well be the most controversial.

Repeated strikes have indicated labour opposition to the planned sale of shares and transfer of management of the 69-year-old enterprise – one of the oldest airlines in the world.

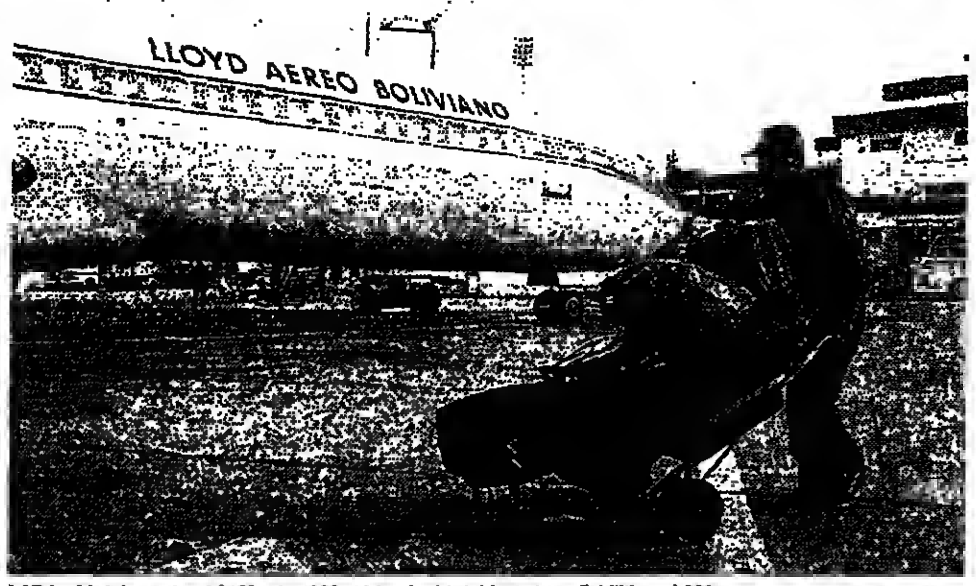
Perhaps more interesting than the airline's assets – the average age of its nine fully-owned aircraft is more than 21 years – are its attractive traffic rights throughout the hemisphere. LAB presently serves its immediate neighbours as well as the US. Venezuela, Panama, Uruguay and Mexico. Other international routes not in use include those to Germany, Spain, Holland, Cuba, Colombia and Ecuador.

LAB had total assets in 1993 of $153m, yet booked total long-term liabilities of $56m. The company's 1991 net profit of $2.5m dropped to a net loss of $11.8m and $13.3m in 1992 and 1993 respectively, largely due to big spending on marketing.

The state holds 97.83 per cent of the shares in LAB, with American Airlines owning 1 per cent and a nominal labour participation equalling 0.1 per cent.

By mid-November the Ministry of Capitalisation will have chosen an investment bank and a regulatory adviser. The final bid on an expected 49 per cent share in LAB is to ha made between March and May 31 of next year. According to Mr Javier Burgos, secretary of capitalisation and investment, potential buyers will have no interest in a majority share because they would lose the usual benefits conferred to a national airline both domestically as well as in international air traffic agreements.

A rather innovative aspect of


LAB had total assets of $153m in 1993 yet booked total long-term liabilities of $56m Picture: Rickey Rogers

the LAB capitalisation programme is the variety of investment options given to the prospective buyer. Besides making a cash offer, investors can bid in form of goods or services, such as aircraft or reservation systems. "With this added benefit we hope to attract even more potential investors," says Javier Burgos. Unlike the other state enterprises on offer, LAB's sale does not require any additional legislation. Due to competition by the private Aerosur, which inaugurated service two years ago, LAB'a privatisation would not violate existing anti-monopoly legislation.

Due to competition by the private Aerosur, LAB's privatisation would not violate existing anti-monopoly legislation

LAB holds a 65 per cent share of Bolivia's international airline market ahead of American Airlines and Brazil'a Varig. In the domestic market, LAB has been losing ground to Aerosur but still bolds a 59 per cent share.

Government officials further underscore this carrier's low labour costs, its highly trained technical staff, and its potential to improve aircraft utilisation. With Bolivia's strategic location in the centre of South America, its promoters envision the under-employed airport of Santa Cruz becoming a type of regional hub. President Gonzalo Sanchez de Lozada says "it would be a natural buh," but admits, "we don't generate enough of our own traffic." He adds: "We have this $250m airport in Santa Cruz, which only operates 15 minutes per day."

A previous attempt to sell LAB in 1992 failed, due to what the government deemed was an unacceptable offer by Iberia.

The Spanish carrier bad allegedly offered $20m for LAB with an option to withdraw from the deal within a two-year trial period.

A recent government invitation to interested buyers to attend a "brain-storming session" found little response and had to be cancelled.

Yet Mr Edgar Saravia, seuior official at the ministry of capitalisation, says the problem is not LAB, but rather that many European airlines are busy themselves in restructuring their operations, while others are simply cash-strapped.

"In January we will aggressively hit the campaign trail, perhaps baving to offer other finance options or a management contract combined with a lower stake in the company."

Raymond Colitt


A microwave radio station at Copacabana, high in the Bolivian Andes. Entel's revenue has grown about 70 per cent over the past five years

Entel telecommunications

Investor interest appears keen

With fewer than four lines for every 100 inhabitants, Bolivia has one of the lowest indices of telephone provision in Latin America. But, as Peru proved earlier this year when it sold off a controlling share in its state-owned telecommunications industry for more than $2bn, it is growth potential which counts with investors.

Bolivia's long-distance carrier Entel is second on the list of six state companies beaded for capitalisation. Mr Doyle Gallegos, an independent consultant with previous experience in the Argentine, Venezuelan and Peruvian sell-offs and now retained to advise on the Bolivian process, describes Entel as a "relatively sophisticated" company. Over the past five years, it has invested some $150m in satellite and digital equipment – 40 per cent of that coming from multilateral credits.

Entel's revenue has grown about 70 per cent over the same period, with international traffic expanding 30 per cent and national long-distance 20 per cent. Rates are near to or slightly lower than the Latin American average: international calls are $2.25 per minute plus 13 per cent tax.

Entel billed $101m in 1993, producing cash flow equivalent to about 33 per cent of revenue. The new operator will enjoy an "exclusive concession" on long-distance traffic for five years, after which the Bolivian telephone business will be thrown open to full competition.

Capitalisation is complicated by the fact that on-the-ground service has for more than a decade been in the hands of 22 co-operatives nationally. The Santa Cruz co-operative bas been in existence for 25 years. In general, the co-operatives have lagged behind in infrastructure investments; many are alleged to be hotb inefficient and corrupt, "administered by people who know oothing about telecommunications," according to a local expert.

At present, Bolivians wanting a telephone must pay a discouraging $1,500 installation cbarge to their local co-operative. Finding sources of financing is generally difficult for co-operatives so they are unable to meet demand: the average waiting time for conoection is a year.

Following the Peruvian privatisation model, Bollvia's capitalisation team is setting specific conditions for Entel's "strategic partner". Existing telephone density is to be doubled within five years, with a target of 12 lines for every 100 inhabitants by the year 2005. That would mean investment totalling some $1.6bn.

A simple price cap formula will be applied, diminishing gradually on a real-terms basis to oblige the operator to increase efficiency. Currently low local monthly tariffs will have immediately to be raised while International rates will gradually fall.

By late October, it was not clear how mucb resistance was to be expected from certain co-operatives.

Government strategy seemed to focus on reason and persuasion, witb the back-up legal provision that Entel's new partner will have the right to install parallel infrastructure if local co-operation is not forthcoming.

"Most likely, co-operatives will transform themselves into limited companies," says Mr Gallegos. "Otberwise, their chances of expanding will be slight."

The co-operative snag notwithstanding, investor interest appears keen. Leading international operators such as GTE, American Telephone and Telegraph, Telefonica and South-Western Bell – who recently participated in the Peruvian telecommunications sell-off – have attended Entel information seminars. Brazilian and Mexican companies are also reportedly interested in forming consortia with larger operators.

Seven investment banks have been short-listed for the job of promotion and a decision is expected by late November. Pre-qualification of operators is scheduled for January.

Sally Bowen

Ende electricity company

Transfer is seen as critical

Electricity company Ende will be be the first of Bolivia's state-owned assets to undergo the novel capitalisation process. Transfer of 50 per cent of Ende to a private operator-investor – optimistically scheduled for February 1995 – is seen as critical for the capitalisation programme.

"Ende has to be a great success," says Mr Edgar Saravia, capitalisatinn secretary. "It'll be used as a concrete example to convince Bolivians that capitalisation equals a new society. We're choosing a strategic partner for the Bolivian people, not just selling a company."

Schroders, the UK-based merchant bank, has been selected to help identify the right bridegroom for Ende in what one state official cosily calls this "electric marriage". Thirty-one foreign companies, meanwhile, have pre-qualified to bid, led by cash-rich and expansionist Chilean operators. Best guesstimates put the bride price at between $250m and $300m.

Mr Ramiro Rollano, general manager of ICE, Bolivia's largest construction company which might hook up with a foreign company to bid, considers Ende technically well-managed and, with just 500 employees, lean and potentially profitable. Electricity consumption has heen growing steadily at about 6 per cent a year for several years.

By late October, the energy ministry was into the fifteenth draft of a new law designed to end the effective duopoly on electric power generation shared between Ende and Cobee, the La Paz-based private company. Cobee is 70 per cent controlled by the North American holding company Leucadia; small shareholders have the remainder.

Ende produces half of Bolivia's electricity; Cobee a third. Of the total 750MW, some 300MW is hydroelectrically generated, the rest coming from largely environmentally-friendly, natural gas-fuelled thermal plants. Distribution is in the hands of three principal local companies, with Cobee bandling 37 per cent.

Capitalisation is designed to meet classic World Bank privatisation parameters for creation of competition. Generation, transmission and distribntion will be managed by separate companies.

Initially, the government will retain control over the transmission system while Ende's generation plants are grouped in three regional packages for capitalisation.

After some grousing, Cobee is expected to accept the division of its generation and distributinn arms in the pursuit of competition. The three regional generation companies will have a three-year option on develnping strategic energy export markets.

"Growing electricity demand in the border zones of Brazil, Peru and northern Chile make that prospect look very attractive," says Mr Clande Bessé, a former Ende general manager and some-time World Bank consultant.

According to Mr Saravia, changes in the law will ensure that no consumer has to pay a service connection charge in advance. The Santa Cruz co-operative, for example, presently charges $500 to put the first power ontlet in a home.

While this may help overcome regional consumer resistance to the central government'a radical capitalisation plans, the co-operatives themselves may not be so enthusiastic. Some, such as that of Santa Cruz, have ambitions to expand into generation – prohibited under the new law.

Other criticisms concern the World Bank-designed plan to dismember an already tiny generation system into three. "The boys from Washington are applying the Argentinian model but forgetting that Bolivia's entire system generates 750MW against Argentina's 18,000MW," says Mr Julio Leon Prado of ICE, the company that built most of the Bolivian transmission and distribution grid. "The packages are too small for a foreign investor."

At 320kWh a year, Bolivia's per capita energy consumption is one of the lowest in the continent: 44 per cent of Bolivians, mainly in rural areas, have no access to electricity. Government and World Bank advisers believe capitalisation is the surest way to improve those statistics.

Richard Bauer

Enfe state railway system

Tough challenge for team

Along with the state airline, one of the toughest challenges for Bolivia's capitalisation team will be Enfe, the aged state railway system. Resistance may also expected from the 4,000 workers still on the company payroll despite successive lay-offs of more than 3,000 employees over the past three years. Tha World Bank estimates that $27m will be required for post-capitalisation severance payments.

Bolivian railways date from 1877 when construction started on the first Antofagasta stretch. The La Paz to Arica section was inaugurated in 1913 after settlement by treaty of the war between Bolivia and Chile. The eastern section, joining Santa Cruz to Santos in Brazil and Rosario in Argentina, dates from the 1940s and 1950s. The three sections have a total 3,466km of track.

The national railway company Enfe was created in 1964 – at which time the company operated 102 steam locomotives. Only in 1976 was the switch made to diesel-electric engines. In the run-up to capitalisation, the fleet comprised 57 locomotives, only 34 of them operational. Of the 134 passenger carriages, less than two-thirds were serviceable, and last year Enfa carried only 750,000 passengers.

Minerals transport has traditionally been Enfe's staple, accounting for some 40 per cent of the 1.4m tonnes of freight hauled last year. Enfe has made some attempt to move into the fast-expanding business of transporting soya. But much of its capacity is in the form of converted box cars – there are no hopper trucks – and soya producers complain bitterly about the quality of service. Wood, meanwhile, is hauled almost exclusively by road.


Trackside improvements at Puerto Aguirre terminal Picture: Rickey Rogers

If, as Bolivian government officials and many entrepreneura bellave, the "interoceanic corridor" – from the Atlantic (Santos in Brazil) to the Pacific (Arica in Chile) – represents their country's trading future, the most immediate investment will have to be some $200m building the missing rail link between Cochabamba and Santa Cruz.

Jica, the Japanese international agency, came up in 1991 with a master plan for upgrading the Bolivian railway system. It envisages investment of $1.46bn over 30 years and predicts an internal rate of return of 11 per cent.

Building the missing Cochabamba-Santa Cruz link would be a priority, as would the extension of the eastern network to Puerto Busch, now projected as the principal outlet for Bolivian exports to the Atlantic via the Paraguay-Parana waterway.

By late October, discussions were still in progress about whetber to split Enfe into three for capitalisation or offer it as a complete package. Most international consultants bave advised against including the track itself in the transfer: Enfe is unlikely to fetch its book price at capitalisation and retaining ownership of the track would explain away an otherwise unacceptably low offer.

"It's a politically sensitive issue," admits Mr Edgar Saravia, capitalisation secretary. But he is adamant tbat tbe state will have no future role in running the capitalised business: the new operator would simply lease the track under concession and assume responsibility for its maintenance.

Enfe's future sbape will depend on the capitalisation team's decision. Smallish regional companies from neighbouring Cbile, Argentina and Brazil could be interested if it is divided, while three US companies – Burlington Northern, Conrail and Pacific SouthWest – might be convinced to bid for the railway system as a whole.

Sally Bowen

WHO SAYS YOU CAN'T MIX BUSINESS WITH PLEASURE ?

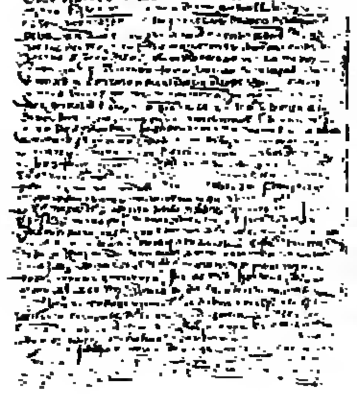
We invite you to Bolivia to enjoy both our heritage
and our investment opportunities.
Come and take a closer look.

Casa de La Moneda Potosí

After the discovery in 1545 of the fabulously rich silver Mountain of Potosí, the minting of coins began in 1575. In the early part of the 17 th century, Potosí had a population of over 120,000, about twice that of Madrid at that time. The mint house building commenced in 1758, took fifteen years for completion and has 250 rooms with 132,000 square feet of construction. The museum has unique paintings by the renowned colonial artist Melchor Pérez de Holguín. The UNESCO has declared Potosí as "World Cultural Heritage".

Casa de La Libertad Sucre

The chapel in this building belonged to an old Jesuit Convent and was later used as the Main Hall of the University founded in 1621. The first cry for freedom in Spanish America was heard here on May 25, 1809. In this same chamber Bolivian's first National Assembly met in 1825 and subscribed its Act of Independence.



Archivo y Biblioteca Nacional de Bolivia Sucre

The archive is one of the most valuable in the world related to Spanish Colonial times. Its manuscripts, the oldest dating back to 1546, include the complete collection pertaining to the administration of the "Audiencia de Charcas" (1540-1825). There are 6,600 feet of original manuscripts and the library has over 100,000 volumes.

Museo Nacional de Etnografía y Folklore La Paz

This museum occupies a colonial palace built in 1720. It specializes in the study of Bolivia's primitive cultures and the production of popular art and craftmanships. Its collection includes thousands of valuable textiles and pieces of pottery. The library has rare originals such as the "Art of the Aymara Language" (1612) or the "Art of the Mojo Language" (1701).

Banco Central de Bolivia has been looking after the country's cultural heritage with as much care as its international reserves.

ECCO Publicidad

Soya exports totalled $13m in 1993 Rickey Rogers

Raymond Colitt reports on the agricultural sector

Pillar for economic growth

Agriculture remains Bolivia'e single most important sector of the economy, representing 20 per cent of gross domestic product, and agro-industrial products are presently experiencing the fastest growth of any exports.

This is not e cyclical trend; agricultural development will be a pillar for economic growth in years to come. The main reason is that Bolivia is discovering that it has comparative advantages in specific agricultural products - and it has enormous tracts of undeveloped and extremely fertile land in its eastern frontier.

Contrary to other tropical regions in the Amazon hasin, the fluvial plains in the province of Santa Cruz hoast soils extremely rich in nutriants that produce above-average yields. While soya producers in neighbouring countries harvest an average of 1.5 tonnes a hectare, Bolivian farmers reap 2.5 to 3 tonnes a hectare. The tropical climate allows two soya harvests a year, of which the larger one is in the wet season between Novemher and April.

Prospects are so promising that foreign investors, especially from Brazil and Argentina, are flocking to the area in search of sizeahle tracts of land to grow soya beans and other crops. Although some of the soya production still leaves the country without any processing - soya worth $13m was exported in 1993 - large quantities are being processed into oil, flour or animal feed.

Despite considerable growth figures last year, however, the agricultural sector faces significant difficulties. Interest rates on loans are still high, preventing capital investment in technology. Irrigation is virtually non-existent and dependency on rainfall does not allow for steady returns. This year, a prolonged drought caused estimated losses of $20m in soya, wheat, sunflower and fruit production.

In addition, the region's limited infrastructure complicates the transport of agro-exports. Producers complain that transportation to Chile's distant Arica port is costly and that roads are in poor condition. The Paraguay-Paràna waterway, which flows into the Rio Plata near Buenos Aires, provides a less expensive alternative shipping route. But the train service from Santa Cruz to Puerto Suarez on the river Paraguay has a limited cargo capacity.

The influential lowland agriculture association, CAO, demands more support from the government as well as a coherent development plan for the sector. Mr Erwin Reck, CAO's president, urges the creation of a ministry of agricultural development and the construction of strategic roads in the region, as well as cheaper credits.

The small-scale farming of more traditional products by campesinos of the highlands is a sharp contrast to the large agro-industrial production of Bolivia's lowlands. A large percentage of Bolivia's highland rural population ekes out a living in subsistence farming, while others manage to market excess production of foodstuffs.

One product from the largely hleak and agriculturally poor Altiplano that has seen rapid growth - and is now being exported - is the quinua, a small, disk-shaped grain which has been a staple in the Andes for thousands of years and has recently seen a resurgence as a health food in Europe and the US. Quinua has higher nutritional value than any other grain commercially available.

The Association of Quinua producers, Anapqui, has been promoting exports of the product, making Bolivia the world's leading producer. Anapqui, incorporating 3.000 producers of quinua, claims that 60 per cent of Bolivia's total is exported and this grows by 20 per cent annually.

Mr Francisco Valdarrama, head of Anapqui, says that continued growth of quinua production in Bolivia will depend on the country's ability to satisfy consumer demand for specific quinua products, such as ready-to-eat cereals or snacks. "Above all we have to capitalise on the advantage in quality we have over other producers to increase and defend our market share," says Mr Valderrama.

Although the US and Canada are producing large quantities of quinua, they have reportedly not been able to match the size and quality of the Andean product.

Another up-and-coming export product that has been grown in the region for thousands of years are textiles made of alpaca, from a domesticated version of the Andean llama. Exports last year totalled $4m.

Hand-knitted designer sweaters "made in Bolivia" are on sale in boutiques and department stores in the US and Europe. Mr Gerald Fisher, e US expatriate, who has been supplying US department stores and mail order catalogues for 20 years, says: "Alpaca is a fibre that has awaken." His sweaters, designed by a well known New York fashion designer and knitted by indigenous women in the highlands, retail for $195 to $295 in the US.

Beatrice Patiño's Coats and suits in Alpaca textiles by Beatrice Patiño have been featured in New York as an alternative to garments in traditional luxury fibres such as cashmere or mohair.

Patiño moved her business from 7th Avenue, to a back street in a popular neighbourhood in La Paz.

The Bolivian Export Foundation (FBE), a non-profit organisation funded by the World Bank and the Dutch and Swiss governments, goes beyond merely identifying potantial export products to co-finance thair production. Unlike other aid organisations, the FBE conducts detailed feasibility studies on specific products before entering into a joint venture with local enterprises or communities.

Mr Romel Antelo, secretary of the directorate, says that whila other development non-governmental organisations are often careless ahout whera they put their money, the FBE has to make e positive return on its investment to continue operating. "We operate very mnch like a private enterprisa, carefully studying the investment opportunities," says Antelo. The FBE is presently financing a garlic producing venture with 120 peasant families in Tarija, southern Bolivia, who contribute the land as their part of the deal. The FBE expects to recuperate its $300,000 investment after the first harvest.

Profile: Caico farming co-operative

Community effort is the key

When Kotel Gushiken arrived in Bolivia in 1954 he had little more than hope in his baggage - hope to begin a new life after leaving behind the economically depressed post-war Okinawa.

With him came some 405 Japanese peasants, each of whom was given a plot of land by the Bolivian government as part of a programme to expand the agricultural frontier into the dense jungle thet still predominated in the areas just north of Santa Cruz.

A mysterions fatal disease and the peasants' unfamiliarity with the tropical soil and climate led nearly half of the recently arrived immigrants to abandon their new homes. Adverse soil conditions forced the remaining settlers to move their community twice before finally founding Okinawa colony in 1956.

Attempts to cultivate cotton and other crops failed in these early stages.

Yet today Mr Gushiken sits in an executive chair in his air-conditioned office in a hrand new community centre huilt with Japanese government aid. He is now president of the Japanese-Bolivian Association with its 730 members.

Mr Gushiken says: "In the early days I never believed we could achieve what we have now - and much of that success is dne to a communal effort."

The agricultural co-operative Caico, formed hy the colony in 1971, today controls 10 per cent of the country's soya grain prodnction and 35 per cent of total soye seed production.

It was this community that began experimenting with the cultivation of soya back in the early 1970s, before the bean became the number one agricultural export in Bolivia.

Land and machinery remain private property in the community hnt Caico provides technical assistance, long-term planning and collective bargaining with wholesalers.

Qnick to realise the long-term henefits of adding valne to its hasic prodnct, Caico soon began processing soya beans on site.

First, a seed processing plant was installed, then facilities to extract oil and prodnce soya-based animal feed.

With a long-term ontlook of secnre hnt steady growth, Caico presently invests heavily in training its staff.

Youngsters in the colony are given a scholarship and sent ahroad to he trained as agronomists, veterinarians, husiness administrators and lawyers.

"In order to secnre onr future we need to invest in our people, maintain our high quality standards and diversify our product line," says Mr Masayuki Kndaka, general manager of Caico.

Caico is now studying the macadamia nnt as a crop with a large potential for growth. Tree nurseries are already in place hnt the first harvest is still two years away.

The latest success, though, is the co-operative's own supermarket in the city of Santa Cruz as a direct outlet for its products.

Says Mr Kndaka: "With help of the co-operative, we achieved together what we never conld have done on onr own."

An important factor in the community's perseverance has been the maintenance of cultural traditions. Japanese sociologists who recently visited the colony say its people have preserved their traditions more than their hrethren in Okinawa.

Raymond Colitt

Rural development programme

Income is gradually rising

The town of Comanche in the province of Pacajes - some 120km south of the capital La Paz, on the hleak and wind-swept Altiplano - is the site of an unusual sustainahle rural development project, writes Raymond Colitt.

Only a few years back, the population of Comanche was struggling with daily survival. The inhospitable lands did not allow for any type of agriculture. Water is scarce during 10 months of the year and the temperature at 4,000m above sea level often drops well below zero. Well-water in the area is salty and unsuitable for human consumption.

The Pacajes, a pre-Incan Indigenous group, had once earned their living as merchants, bringing goods from the Pacific coast. The coming of the railway meant that their way of life changed drastically, forcing them to rely on agricultural activities. Yet even cattle ranching, the only source of income, was not feasible on a large scale because of the meagre vegetation.

The villagers of Comanche, like those in many other towns throughout the Altiplano, left home to look for jobs in the city, to practice slash-and-burn farming in Bolivia's lowlands, or to join the multitude of coca-growers in the sub-tropical Chapare region.

Then, in 1983, a non-profit aid organisation, Samta, launched e rural development plan. Unlike countless other aid projects, this one introduced simple and inexpensive technologies to promote environmentally sustainable and economically yielding agricultural practices.

One of the earliest and most snccessful projects was the construction of a new type of greenhouse - a low, four-walled building covered with an "agrofoil" that allows the temperature to rise to 35°C, while protecting the planta from strong winds.

Other low-cost, high-impact projects include the construction of ditches and dams to retain and channel rain water, which is otherwise wasted and erodes the already thin layer of fertila soil. A programme to recuperate 17,000ha of grassland hy sowing native grass seeds is already bearing fruit: the number of cattle able to graze there has increased substantially.

Semts's projects are hased neither on hand-outs nor on "top-to-bottom" coaching. Mr Oscar Aguilar Calderon, Semta's executive director, says: "Community participetion is crucial in avoiding dependence and in guaranteeing the success of a project." Farmers must, for example, produce and hand over to Semta new seed for the grassland project - in exchange for which they get barley seed.

High-school children are in charge of reforestation and receive an award for the biggest tree et tha end of each yaar. Management plans are alao jointly estahlished hetween the community and Semta.

Today, the results of Semta's work are clearly visible. Many families are virtually self-sufficient in grains, vegetables and milk. Their income is gradually rising through the commercialisation of cattle-farming and their agricultural skills have improved significantly.

However, one memher of avery family usually still migrates to La Paz, Cochabamba or Santa Cruz to secure additional income, and the inhabitants of Comancha are still uncertain about the future of their community. But the massive flow of migrants has at least been halted.

The question is whether this type of project can be implemented on a national level.

SA GIC

Bolivia's Number One producer and exporter of alcoholic beverages wants to expand its international market through importers and new representatives

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The Indians: Richard Bauer reports on the majority indigenous peoples

Symbols are important

Mr Victor Hugo Cardenas, Bolivia's vice-president, receives visitors in his ornate office in La Paz's legislative palace. Seating his guests around him, he indicates the most elaborate gilded chair and jokes: "This is my throne". Symbols are important for this first-ever Aymara to be elected to such high office.

Every hour of the day since he was sworn in, Mr Cardenas has worn over his left shoulder a finely-woven scarf of vicuña hair - "except when I'm in the shower," says the Sorbonne-trained educator and leader of the indigenous MRTKL political party.

"A [native] priest gave it to me on behalf of the Bolivian people and told me never to take it off. It symbolises authority and social control." Returning the scarf at tha end of his term, Mr Cardenas will have to give account to priest and people of his actions in government.

Mr Cardenas takes his symholic role seriously. He aims to "build in the political arena a genuinely democratic state where the indigenous, the peasants and the marginalised are not just guinea-pigs for experiments made by the government of the day."

Bolivia, like Peru and Ecuador, is a country in which indigenous peoples are in a majority. Quechua and Aymara are widely spoken.

Whites, proportionately over-represented in formal business and government, are an absolute minority.

"We have a dream: that the political system which has always excluded the majority will accept us. Where does exclusion lead? Sooner or later to confrontation between Bolivians. Because when the excluded lack channels of expression within the political system, they seek other methods. Indigenous and non-indigenous must unite to transform the structure of our country."

Mr Cardenas has personal experience of exclusion, or discrimination

Mr Cardenas has personal experience of exclusion, or discrimination. "My father's name was Pedro Choquehuanca Pinto: because of his indigeoous background he could not enter university. When he married, he changed his name to Cardenas so his children should not suffer the same fate. I can understand why he did that but, today, conditions have changed and I wouldn't do it."

His own wife's experience - she left the teaching profession because she was not permitted to hold classes wearing her traditional Indian clothes - has helped give education a high priority on the list of reforms. Bolivia is moving towards a bilingual educational syste where indigenous children will be taught first in their native language, adding Spanish later.

Teachers will be permitted to wear traditional dress.

Mr Cardenas hopes reforms such as these will help revert the depressing statistics: children on average take 12 years to complete a six-year course. Not surprisingly, the drop-out rate is extremely high.

While Mr Cardenas is certainly a figure full of symbolism, he appears to have succeeded in escaping the historically non-influential and decorative role of e Bolivian vice-president.

"I don't just sell government policy; I hear the viewpoints and arguments of the excluded and I channel them to the appropriate area in the executive branch where they are dealt with. We want to bring state and society together."

Mr Cardenas argues that even though the state has ignored them, Bolivia's marginalised have notched up many business successes and pressed for a more economically liberal aociety.

"If many of us have survived, it's because of our strong shared and community ties, even among the migrants to the cities. Goni [President Sanchez de Lozada] has his traditions, his modernity, and I have mine. Together we want to create an alchemy - and so far, it's working."

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Sally Bowen meets two Bolivian visionaries

Looking east – and west

Like President Sanchez de Lozada himself, two of Bolivia's most far-sighted men are entrepreneurs who, after spending many years outside their native land, have returned and succeeded in transforming a personal vision into reality.

One is Mr Joaquin Aguirre, author, philosopher, playwright, businessman and now the owner of Bolivia's only genuinely functioning port on the Paraguay River: it bears his name, Puerto Aguirre.

"The Paraguay-Parana hidrovia (waterway) is to our continent what the Mississippi is to the US," he says, "bnt over the centuries Latin Americans have done everything possible to ignore it."

Aguirre found plans for a river port and waterway already gathering dust in the foreign ministry's archives when he was a young man.

Only after 30 years of globe-trotting - during which he built the gas pipeline to Argentina, founded a supermarket chain in Colombia and patented sngar made from bananas - did he return to Bolivia to explore the waterway route in the mid-1970s.

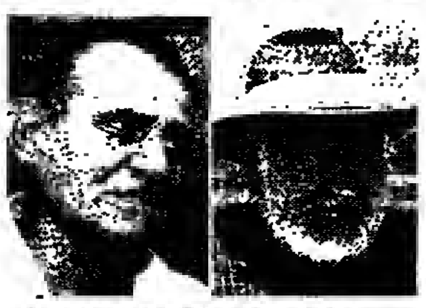
Since 1983, Mr Aguirre says he has invested $10m in Puerto Aguirre from his own savings and loans: other private entrepreneurs have pnt in another $23m.

The 1986 World Bank report on the eastern lowlands of Bolivia, which gave the green light - and initial credit - to soya farming in the zone, described him as "a man of vision, passion and action".

Mr Aguirre, now in his seventies, believes integration will be echieved hy entrepreneurs rather than governmeots.

A permanent, five-country "hidrovia" commission now exists and is already moving ahead with waterway improvements.

This year, he says, his "pipe-dream" Puerto Aguirre will move 200,000 tonnes of cargo, mainly soya.



Transforming personal visions into reality: Joaquin Aguirre (left) and Julio Leon Prado

Like Mr Aguirre, Mr Julio Leon Prado made most of his money in other Latin American countries over a 30-year period - chiefly in power transmission lines and construction.

His many-tentacled Banco Industrial group is now Bolivia's leader in financial services.

But Mr Leon Prado is a frootiersman at heart. Although he is nearly 70 years old, in the past few years he has spearheaded Bolivia's booming soya industry and is oow the country's largest iodividnal farmer.

"When I expanded to 2,000 hectares, they said I was crazy. Bnt I told tham, if you need two tractors for 2,000 hectares, yon need twenty for 20,000: it's that simple."

With yields of 3.2 tonnes a hectare, Mr Leon can match the world's most productive soya farmers. He praises the Japanese settlers in the region east of Santa Cruz for realising the land's rich potential:

"They revolntionised alised Bolivian agriculture, proving how fertile it is."

For Mr Leon, soya represents the future of Bolivia. "It's a primary industry and best of all, it's forever because it's sustainable. There's husiness here for everyone." He is leoding money, snpplying seeds, sharing technology and weather reports with small farmers in a push to get a million hectares of Bolivian lowlands under soya.

"That means 3m tonnes of beans a year, which is a point of no return," he says. Bolivian soya, plus the prodnce from sonth-west Brazil, will exert irresistibla pressure on governments and private companies to get adequate transportation infrastructure in place.

"Joaqnin Aguirre is one of Bolivie's great visionaries," Mr Leon acknowledges.

"Bnt I think time will prove him wrong. I believe Bolivia's future lies westwards, out throngh Peru to the Pacific."

Stephen Fidler reports on developments in the financial sector

Rapid growth from a very small base

Finance is one of the fastest growing areas of the Bolivian economy. Central bank figures show the financial sector growing by 21 per cent in 1992, 14 per cent last year and an estimated 12.4 per cent this year.

According to Mr Edward Derksen, chairman of BHN Multibanco, a Bolivian commercial bank, the country's bigger banks are growing by 30 per cent year.

"With a stable currency and low interest rates abroad, we have had capital repatriation," he says.

Yet this rapid growth is from a very small base. The basic business of banking remains a mystery to a large majority of Bolivians.

Mr Guido Antezana, who stepped down this year as head of the country's banking association, points out that there are only 350,000 deposit accounts in a country of 7m people.

Some 45,000 depositors hold 85 per cent by value of all bank accounts.

"This shows how deep the financial function goes in Bolivia," says Mr Antezana.

The financial sector is only now recovering from the devastation wrought on it during the hyperinflation of the early 1980s, which damaged the credibility of both the Bolivian currency and the banking system.

By the end of 1985, the financial meltdown left the banking system with just $50m in assets.

Banking assets have since recovered to $3.27bn at the end of last year and the banks' capital to $225m. But, says Mr Antezana: "We are barely back to the financial assets that were held by the banking system in 1978."

Hyperinflation has left another legacy: the banking system's switch to dollars.

The proportion of dollars in banks has grown in recent years as money has been repatriated from abroad and left on deposit in the US currency.

According to the World Bank, 85 per cent of deposits in Bolivian banks were denominated in dollars at the end of 1993, compared with 77 per cent in 1989.

The majority of local currency deposits in the banking system are held by the government.

This switch to the dollar clearly reduces the mechanisms available to the government and central bank for the control of economic policy.

A report from the economic consulting firm Müller & Associates points out that this – together with the concentration of deposits in a relatively small number of hands – "makes the Bolivian economy more vulnerable to external shocks."

It also leaves the economy more vulnerable to money laundering by drug traffickers. The US government says that the country is still not an important centre for money-laundering. Yet it argues that the situation may change because money laundering is not considered a crime, "dollarisation" is advanced and the banking superintendency refuses to share information with agencies fighting drug traffickers.

Better liquidity, the perception that the banking system is more or less secure except for a couple of smaller institutions, and that the country's political and economic risk rating have improved, have all combined to bring down lending spreads.

The country risk premium on dollar deposits is about 5-6 per cent on deposits. Lending spreads are down: interest rates on big bank deposits vary between 9½ and 11 per cent; and on loans from 12-13 per cent for the best customers, to 16-20 per cent.

A new banking law, pushed through under World Bank insistence, was passed in 1993. It brought capital requirements to international standards and set up a superintendency of banks. Critics say the superintendent has been given too much discretionary power – and provides a poor example for the regulatory regime which the government intends to set up for newly-capitalised companies.

Mr Antezana says that more than a dozen banks with adequate minimum capital are awaiting a decision to allow them to open, but permission has not been granted or denied. When the bankrupt state banks were formally closed – the last in December 1992 after the World Bank made this a condition of a loan it was granting – the then superintendent was accused of reallocating the accounts in a discretionary manner.

According to Mr Fernando Candia, the central bank president, the central bank has been operating with complete de facto independence in monetary and exchange rates since the present government took over last year. The government is proposing that the independence of the bank in monetary and exchange rate policy should be granted by law.

To activate the financial system fully, especially the securities markets, a number of other legal changes are being proposed. A new securities law is planned to overhaul the antiquated rules. There is a small fixed interest market – turnover this year is expected to reach $1bn compared with $120m in 1991 – which is increasingly being dominated by private sector users rather than the government. However, approval of issues by the securities commission is slow.

There are two independent stock exchanges, created as part of the IMF and World Bank conditions for structural adjustment, but there is no share trading – although two share issues are listed. The La Paz stock exchange started operation in 1989, trading in central bank deposit certificates, bonds and fixed-term deposits of private banks which account for 85 per cent of 1993 trading volume of $578m. The Santa Cruz stock exchange trades in bills and some bonds, but no fixed-term bank deposits.

The two equity issues are likely to be joined in the next few months as Cochabamba Power and Light is floated domestically and internationally. The possible sale of the La Paz electricity distribution company next year may add another company. But it is hoped that the biggest boost to the equity market – and to the development of national savings – will come from the capitalisation process. Under that process, the shares of up to 50 per cent of the capitalised companies will be distributed equally among Bolivians aged over 18. This will involve the establishment of some 3.7m separate retirement accounts.

The first task will be to establish who the eligible Bolivians are – a difficult one, because the names of a large number of Bolivians are unknown to the state.

Pension fund managers will be invited to bid to manage these non-contributory retirement accounts. Already, six pension fund groups, mostly local banks often with a Chilean partner, are in place.

After the bidding process, which is likely to take into account a variety of factors, including commissions, holders will be free to shift pension fund managers. The law will require that those individuals who decide to contribute to their own private pension funds – to be introduced as part of the proposed pensions reform – will have to hold them with the manager who has the account containing shares in the capitalised companies. The government estimates there are some 300,000 potential clients who will sign up for such contributory pensions.

According to Mr Ruben Ferrufino, a senior official working on the pension plan, the likely lack of liquidity in the capitalisation shares will impose limits on the amount that can be sold at one time. This liquidity shortage may also mean that capitalisation shares will be listed on stock exchanges outside the country.

Proceeds from sales of shares in the non-contributory funds will be directed into contributory funds. Because of the limited investment opportunity in the domestic market, investment outside Bolivia is likely to be restricted to 30 per cent, a high percentage compared with other countries in the region with private pension systems.

Even if the plan can be guided through Congress, where the government coalition has a majority, opposition is inevitable and is likely to be strongest from the national trade union federation. Existing pensioners worried about losing their pensions, and the managers of the small existing pension funds – all severely hit by hyperinflation in the 1980s – which coexist with the bankrupt state pension fund, are also likely to oppose the changes.

Banking assets recovered to $3.27bn last year Picture: Ricky Rogers

BancoSol: the unorthodox bank

Writing its own success story

BancoSol, not yet three years old and the smallest of all Bolivian banks, is writing its own success story.

Inspired by a "bank for the poor" in Bangladesh, this unorthodox financial institution presently channels through its 29 branches short-term "mini-loans" to 60,000 individuals "who wouldn't normally get through a bank's glass doors," says Mr Pancho Otero, BancoSol's general manager.

BancoSol has set up its unusual headquarters in a bustling, lower middle-class district next door to La Paz's San Pedro prison – a far cry from the marble banking halls of El Prado preferred by its more traditional rivals. BancoSol customers make up 40 per cent of all Bolivian borrowers, but the average individual credit is a tiny $500. Bad loans are almost unheard of. The first write-off in BancoSol's history was in October – for $1,500.

Each month, the bank processes 12,000 loans for Bolivia's army of informal entrepreneurs – known to economists as "the self-employed" and estimated to number about 1m.

BancoSol's clients, a majority of them women, would never receive credit from a traditionally-constituted bank: they lack the necessary documentation and formal guarantees. Forty per cent of all credits go to finance the commercial activities of street-traders, the rest to workshops and small back-street factories.

The secret of BancoSol's success lies in its policy of lending only to small groups

The secret of BancoSol's success lies in its policy of lending only to small groups of between three and eight who co-guarantee the loan. Alicia Aira, Flora Blanco and Irma Gutierrez are a typical group of borrowers. All three are tough-talking Aymara women, proudly dressed in traditional bowler hats and many-petticoated skirts. Their Spanish is deficient but their business talents irrefutable.

All make their living as street-traders, with adjoining pitches in central Avenida Camacho. One sells sweets, another sun-glasses and the third, magazines. In October, they were seeking BancoSol credit for working capital in preparation for the busy Christmas season – $500 each for eight months at 2.5 per cent a month. Without BancoSol, their only alternative would be an informal loan shark who would charge at least twice that.

"There's an unquenched thirst for credit in the informal sector," says Mr Javier Villanueva, a young university graduate-turned-stockbroker at Saxxon Capital who wrote his thesis on informal banking practices in Bolivia. He has identified some 50 non-governmental organisations which presently grant informal credits outside the banking law. But BancoSol is the first formalised bank to attend those needs.

Five NGOs are awaiting the green light from Bolivia's banking superintendency to become authorised lending institutions. BancoSol, meanwhile, aims to lend a total of $150m in 1998.

With $7m in capital, BancoSol eschews the mask of philanthropy. "It's run along the same criteria as any other bank," says Mr Otero, who expects profits of $1m for 1994. It receives credits at commercial rates (between 10 and 12 per cent a year) from other banks and large, liquid companies to increase volume. A pilot programme to attract small savers has got off the ground, bringing in $4m to date.

International organisations such as the IADB's offshoot IIC are shareholders in BancoSol

International organisations such as Massachusetts-based Action International, the Fundes foundation of Switzerland for the promotion of small enterprise and the IADB's offshoot IIC are all shareholders in BancoSol. But so too, encouragingly, are some of Bolivia's wealthiest businessmen with a social penchant: President Gonzalo Sanchez de Lozada, Mr Fernando Romero, former planning minister, and Mr Julio Leon Prado, a prominent entrepreneur, all have a stake in BancoSol and are ready to offer professional advice.

Richard Bauer

BancoSol's 29 branches presently channel short-term 'mini-loans' to 60,000 individuals Picture: Gustavo Olgun Segovia

Forty per cent of all credits go to finance the activities of street-traders

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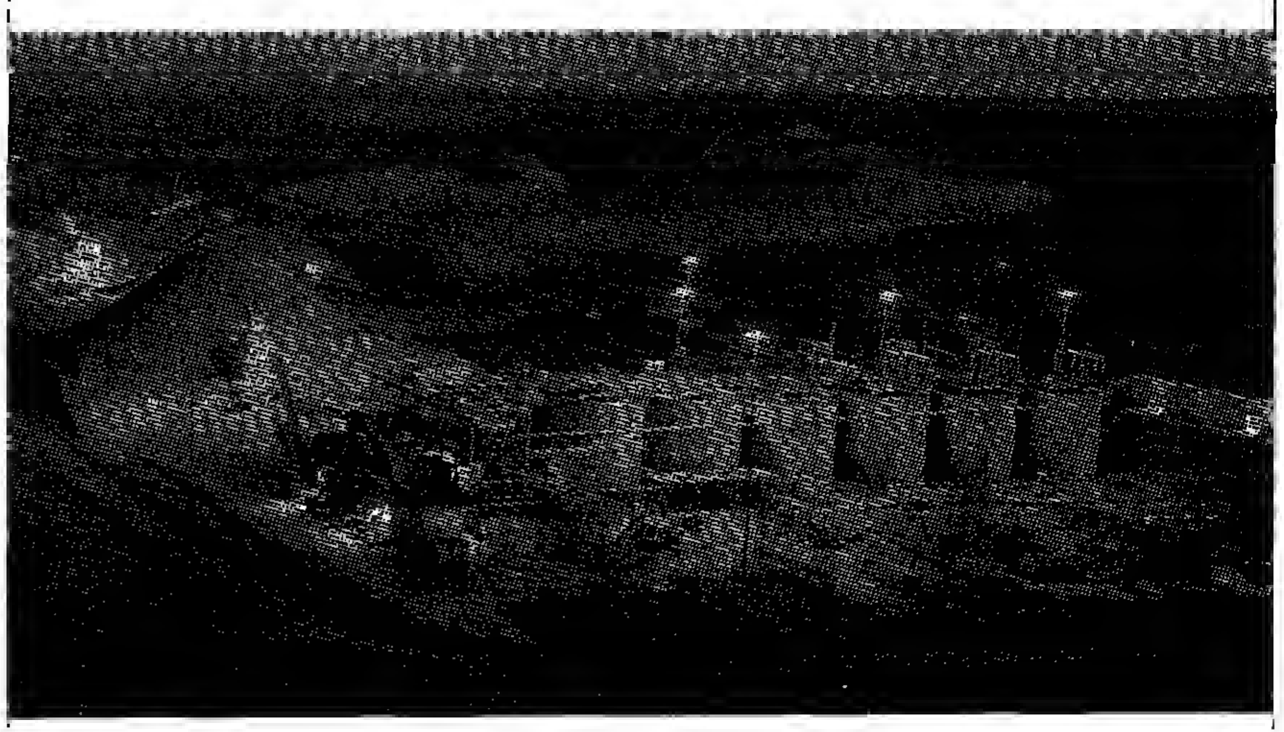

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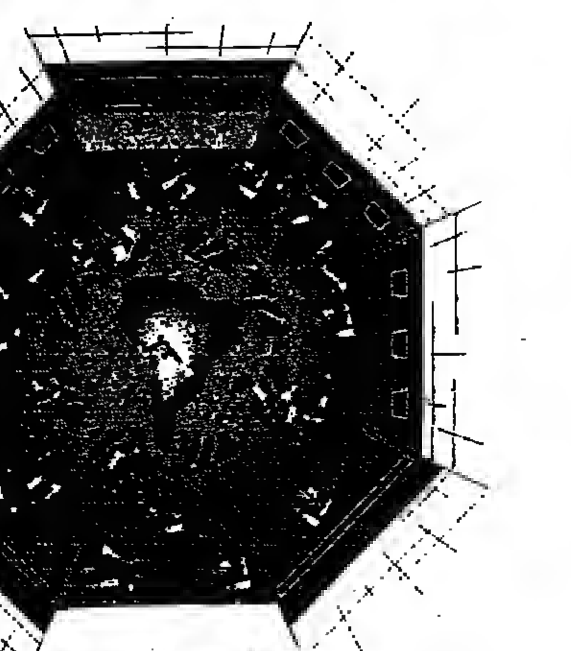

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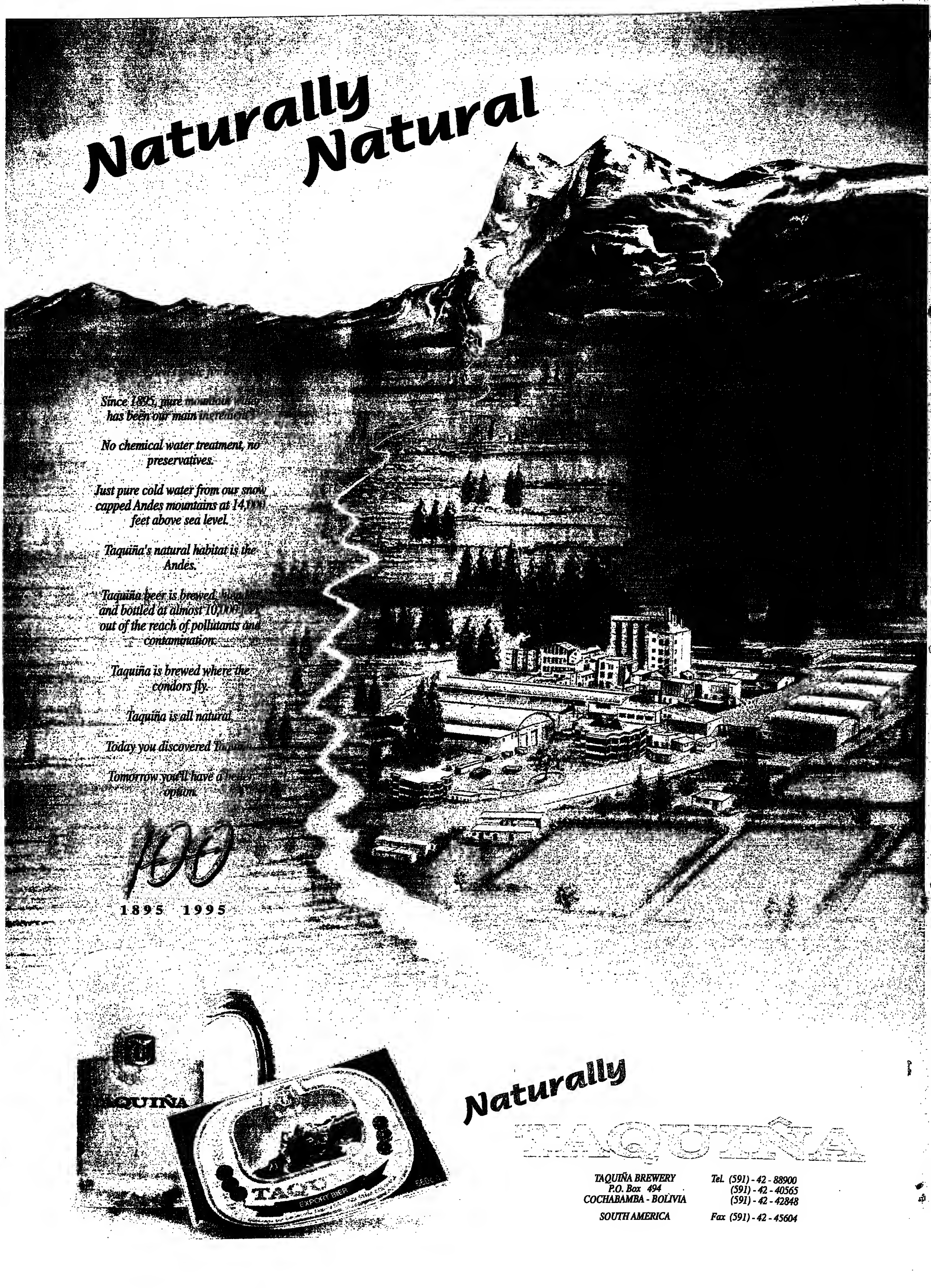

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Stephen Fidler assesses the political system

Obstructing the president's vision

The Byzantine workings of Bolivia'a tight-knit political system remain a mystery even to long-standing students. Some observers reckon it also remains a mystery to its president, who spent most of his formative years outside the country.

Far from enjoying the cut and thrust of political life, President Gonzalo Sanchez de Lozada appears to view politics as a rather tiresome necessity. Like Bolivia's coca problem, politics stands in the way of his grand vision.

Educated at the University of Chicago and a philosophy student who speaks better English than Spanish, he certainly is not from Bolivia'a traditional political mould – which is a positive rather than negative attribute as far as most of the public is concerned.

While the popularity of his government has waned in recent months – in large measure because of the way it handled demonstrations by coca growers – it remains by Bolivian standards at reasonable levels. Many Bolivians figure the president, one of Bolivia's most successful entrepreneurs, is rich enough not to have to be corrupt.

Mr Sanchez de Lozada describes himself as "a very modern type of politician". During the 1993 election campaign, he reshaped his campaign – with the help of US political consultants Sawyer, Miller – after close scrutiny of opinion polls. It was out of these opinion polls that the idea of "capitalising" rather than privatising state industries developed.

He has followed public opinion closely since he took office. "We have used n great deal of modern methods – polling, focus groups and in-depth interviews. We've become very effective in not only knowing the questions to ask but knowing how to interpret the answers," he says.

But even some supporters think that the president is too much of a slave to public opinion, and that following the opinion polls has added to indecisiveness and slowed the government reform programme. They argue that to get things done he will have to court public unpopularity – particularly in the middle of his term and since he is forhidden by the constitution for standing for a second consecutive term.

As an example, they cite the fact that public support for coca-growers marching on La Paz to protest against government policy aimed at repressing illegal coca cultivation led him to an about-turn in which he met the leaders of the coca farmers' unions, whom he openly condemns.

Yet Goni – as he is widely known – continues to stand head and shoulders in public esteem above the rest of his political rivals, according to Mr Carlos Mesa, a political analyst and television journalist.

Indeed, most of the parties competing against the coalition led hy the president's MNR party are almost all in turmoil.

The MIR, tha party which provided the previous president, Mr Jaime Paz Zamora, is viewed hy political analysts as highly vulnerahle. This follows allegations – brought to the attention of the government hy the US Embassy and now being examined hy Congress – that the former president and senior members of his party had links with drugs traffickers.

The party of former dictator Gen Hugo Banzer – the ADN – has also been weakened by an intensifying debate over the succession to the party's ageing figurehead and founder.

Meanwhile the UCS, the party headed by hrewery magnate Max Fernandez, has been riven by a dispute with the government.

Mr Fernandez pulled out from the governing coalition protesting at the lack of government johs allotted to his party. However, many of his party memhers peeled off and continue to support tha government, which thereby preserved its majority in both houses of Congress.

Other significant opposition figures include Mr Carlos Palenque, a televisioo talk-show host and populist who heads Condepa. Arguing for a new economic programme which he calls "endogenous development", he so far has been unahle to extend his support beyond the poor people of the highland regions.

According to one ohserver, therefore, "Goni's higgest prohlem is with his own party." As a modernising president sitting atop an unreconstructed political system, he has had to cut deals – that means promising jobs – with key figures within the MNR. Although it is early to judge, many political analysts believe, nonetheless, that the most likely next president will come from the ranks of the MNR.

Among the names most frequently mentioned are – in the ranks of traditional politicians – Mr Guillermo Bedregal, now a leading legislator in the lower house, and a senator, Juan Carlos Duran. The candidature of Mr Bedregal, who agreed to go as ambassador to the UK before deciding that he should stay on in Bolivia, is weakened hy his links to the violent 16-day dictatorship of Alberto Natusch Busch in 1979, when he was minister of external relations.

More technocrats than politicians are Mr Fernando Romero, the entrepreneur and a former cahinet minister ousted by the president, and Mr Jose Guillermo Justiniano, the present minister of sustainable development and the environment.

All this assumes some measure of success for Mr Sanchez de Lozada's programme, in particular capitalisation, which is heing relied upon to hoost growth. "If capitalisation doesn't work, everything he does here is dead," says one political analyst.

Failure of the programme, according to one diplomat, does raise the danger of a populist government succeeding the administration. If that happens, ha argues that the intervention of the military cannot be ruled out.

In the military – as well as in politics, particularly in the eastern city of Santa Cruz – the influence of secret societies or "lodges" is hard for outsiders to divine. Yet the intervention in the near future of the military in politics is viewed as unlikely by most Bolivian observers.

Indeed, the military is on the face of it today less of a factor in Bolivian politics than it has ever been. The involvement of the dictatorship of Gen Luis Garcia Meza during 1980-81 with drug trafficking and the viciousness of the regime caused long-term damage to the public standing of the army.

Mr Mesa, the political analyst, says morale in the armed forces is low, its effectiveness has been reduced by budget stringency and it has yet properly to define e modern rola for itself. The international and regional environment is also significantly less friendly to military governments than it was a decade ago. Furthermore, there is no sign of the emergence of a new military leadership willing or ahle to take a political role, he says.

The environment: Raymond Colitt examines forestry issues

Ambitious government plan

For centuries, Bolivia'a natural resources have been exploited in a free-for-all manner – usually lacking any environmental concern. Today, the economy is still heavily resource dependent and excessive environmental degradation is common.

The government, in an ambitious plan developed hy the new Ministry of Sustainahle Development and Environment, is attempting to introduce the sustainable or rational use of natural resources without sacrificing economic growth.

The challenges are daunting. Extreme poverty, powerful agro-industrial enterprises and a general ignorance of environmental issues are the principal causes of Bolivia's ecological problem.

The question is, will the government have the resources and political power to enforce its scheme?

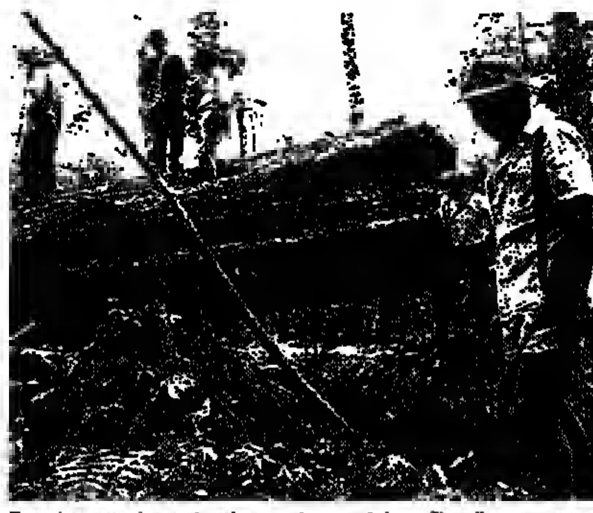
On the winding road from Santa Cruz in eastern Bolivia, trucks head westward loaded with enormous trunks of tropical timber, winding their way np the Andean slopes. These shipments, usually made up of mahogany from Bolivia's vast Amazon rain forest, are destined for export. "Forests cover 50 per cent of Bolivia's territory, providing the woodworking sectnr with an immense natural resource..." reads an investment hrochure for Bolivia. Indeed, the wood industry, which increases the country's income for each tree felled, is growing steadily. But manufactured wood products, such as doors, make up only only a small proportion of the income from exports: $7.2m of the $52m total wood exports last year.

Mr Juan Carlos Quiroga, aecretary of natural resources, says: "Brazil extracts the same amount nf mahogany as Bolivia does, hut by processing it they earn $200m instead of $45m like we do."

What makes Bolivia's wood indnstry "unsustainahle", however, is that virtually none of the wood exported today comes from reforested areas, so that the country's stock of forest simply dwindles until it disappears. In nddition, says Mr Gonzaln Flores of the forest conservation programme Prohona, "companies evade paying the proper taxes and have management plans rubher-stamped hy corrupt officials.

A legislative proposal presently befnre congress is tn institute a 40-year concession on forested areas in exchange for annual fees per bectare of between seventy cents and $1.30, replacing the present tax per square foot of lumber, which was easily evaded. Management plans reqniring a more reasonable extraction of timber would be reviewed by international consultants and approved hy a high-level ministerial council. The idea is that the concession would be revoked if timber companies axploited the area irrationally.

Wood industry leaders are sceptical abont the new law. Mr Carlos Miguel Gagliardi, general manager of the industrial wood company Cimal, says: "the per hectare tax will drive np our cost because now we have to conduct expensive inventory studies to be sure of the amount of marketahle timber."



Forest rangers inspect mahogany trees cut down illegally Picture: Rickey Rogers

Mr Cristobal Roda, whose family made its fortune in wood extraction, says he realises the need for serious forestry management. "We have to think of the future because my factory and our people's jobs are at stake." Yet few wood companies have long-term investments. "The majority nperate only with a skidder, a caterpillar and a saw mill," says Mr Gagliardi.

"Our intention is to get these companies to think of long-term atrategies rather than just short-term profits," says Mr Juan Carlos Quiroga.

The problem, reply industry representatives, is that so far government policies have not been very consistent. Neither does the proposed idea of concessions promote reforestation, they say. "There won't be mnch interest in reforestatinn if we can't own the land," says Mr Roda.

Richard Bauer takes a look at the drugs problem

From teargas to handshakes

First it was teargas hurled from helicopters; then dialogue and handshakes in the Presidential palace. That was the government's alternating strategy for dealing with recalcitrant coca-growers.

With annual production of about 90,000 tonnes, Bolivia is – after Peru – the world's second-largest producer of coca leaf. An estimated $300m to $600m is injected annually into the economy hy the coca-cocaine business with as many as 120,000 Bolivians directly involved either in growing the (legal) leaf or processing the (illicit) basic paste from which cocaine is made.

In the biggest social protest demonstration since President Gonzalo Sanchez da Lozada took office last year, La Paz residents opened their arms to 2,000 down-at-heel "cocaleros" when they marched on the capital in September.

Dodging police and military road-hlocks, they had made their way from the country's main coca-growing region – the sub-tropical Chapare near Cochahamha – to clamour against stepped-up repression measures adopted by Bolivia's drugs police who are advised by the US Drug Enforcement Administration. They also sought more government funding for alternative agricultural development.

Mr Felipe Caceres, number two in Bolivia'a 40,000-strong Cocaleros Federation, says the government's "Operation Dawn" had put the Chapare under virtual state of siega. "They tried to intimidate us. Everyone out at night in the bush or without proper identification was arrested."

The government'a objective was to force the coca price below production cost, thus ohliging the cocaleros to eradicate more crops and meet drugs treaty ohligations with the US, according to Mr Caceres.

Long gone are the boom years of the mid-80s when a 50kg sack of dried coca leaves fetched as much as $900. "At $40 to $50 a sack, coca-growing's become bad business. We can't even pay day labourers to harvest it," says Alcira Perez of Quechua origin, who immigrated to the Chapara years ago. She says she has half a hectare of coca along with a variety of cash crops.

"The record low coca leaf price is an element in the protests," says Mr Oscar Freudenthal of Unido (the United Naions Industrial Development Organisation), who oversees alternative development projects in the Chapare.

Bolivia's performance on drugs control is far superior to Peru's, says Mr Sandro Calvani, representative in Bolivia for the United Nations Drugs Control Programme. "Drug mafias have not succeeded in undermining Bolivian democracy – and people are not dying en masse as in Peru or Colombia. In the past 10 years in Bolivia, only two policemen and 18 peasants have heen killed in drugs-related crimes."

Government officials complain that popular views on coca and the drugs trade are being manipulated locally hy a handful of old-fashioned trade union leaders – mainly laid-off miners – and the communications media who are "romanticising" the issue. President Sanchez de Lozada terms the reaction of his countrymen "devastating; all the people say this is a repressive government [acting] against poor farmers." Many Bolivians consider straight interdiction activities hy the Umopar drugs police are a US-inspired conspiracy to undermine their natiooal dignity and sovereignty.

Mr David Dlouhy, US charge d'affaires in La Paz, unleashed a storm of protest by stating publicly that "coca-growers have turned into drugs traffickers. They are directly collaborating with the coca producers and cocaine dealers who sell the drug outside the Chapare."

"When it comes to coca, everyooe in Bolivia is playing a game," says a foreign drugs expert. "You cannot ignore the existence of at least 7,000 coca maceration pits in the Chapare, nor the 20,000 people directly involved in drugs production."

The apparent hypocrisy stems from the fact that coca is a legal crop in Bolivia, and has served peasants and miners down the centuries as a stimulant when working at altitude. The panorama changed radically – and illegal cultivation grew rapidly – only when cocaine became a fashionable drug in the US and Europe of the 1980s.

Since 1988, Bolivian law has made an innovative distinction between legally grown and harvested leaves destined to satisfy "traditional" demand (that is, chewing, drinking as tea or reading the leaves) and coca for other purposes which is "iter criminis" (on the way to illegality).

If this nice distinction is applied, most of the 50,000ha of coca fields in the Chapare are illegal and should be gradually reduced. With the help of satellite photography, the US has identified 40,000ha for eradication. Coca growers get a $2,000 cash reward for each hectare they eradicate.

The results speak for themselves: between 1987 and 1993, some 26,000ha have been destroyed, with $50m paid put in cash compensation. But, as if by magic, another 33,000 new hectares have been freshly planted.

Mr Alfonso Alem, government adviser and representative to Conadal, the recently-revived alternative development council, says the strategy has clearly failed; the situation is "schizophrenic" and coca-growers "the privileged", ha says.

"No region in Bolivia has received so much development aid as the Chapare, and thanks to coca, central government receives halance-of-payments support from the US. The message is: to get money, grow coca."

Asked if his government has a clear strategy for fighting the coca-cocaine husiness, President Sanchez de Lozada's disturhingly honest answer is: "Ohviously not. Who [in the world] has a clear strategy on drugs?"

He believes coca production in Bolivia ia decreasing. "Drugs dealers prefer to do business in Peru where repression is less harsh – here, peasants are trapped and haven't switched to other crops."

President Sanchez de Lozada says: "We haven't got rid of the cancer, but at least it's not growing," referring to the coca issue. A senior US emhassy official in La Paz, meanwhile, sees a real rednction in the macro-economic impact of the drug aconomy: "GDP has grown and coca has been contained," he says.

According to the State Department'a Agency for International Development (USAID) estimates, six years ago 8.4 per cent of gross domestic product came from coca-cocaine. By 1993 that had dropped to 2.7 per cent. Coca leaf production has stagnated since 1988.

TOURISM

Lots of attractions

Tourism may well have the largest potential for growth of any industry in Bolivia. At least that is the way the government sees it.

A plan to develop tourism – the first in the history of Bolivia according to government officials – aims to boost industry income from $115m at present to $1bn within a decade. Instead of the present 265,000 visitors a year close to 1m are to be enticed to the country.

"We want more tourists; have them stay longer; spend more money; and speak well of our country when they leave," says Mr Ricardo Rojas, secretary of tourism.

"If you look at other countries that have been successful in tourism, you'll notice that they've focused on a few well-targeted, key development projects," says Mr Rojas. A new tourism law, which the government hopes to have approved hy March 1995, will provide long-term tax exemptions to attract foreign investment to sevaral so-called "mega-projects."

In exchange for foreign capital, the government pledges to provide the basic infrastructure for a project, train the personnel, and promote tourism abroad. A list of proposed sites is to be made known shortly.

The government is aware that it faces a challenging task. Not only is there an enormous information deficit about Bolivia among international tour operators, but it also suffers from an image prohlem – that of a politically unstable and drug-ridden country.

Many tourists still only visit Bolivia as part of a two- or three-country tour. "We get many tourists venturing into Bolivia on a brief excursion following an extensive tour of Peru: that needs to change," says the manager of a leading tour operator.

As part of its promotional activities, the government inaugurated a tourist office in New York on August 1 and plans to open others in Spain and Germany hy next year. A toll-free information line is operating in the US, and Bolivia plans to attend international tourism fairs, including the World Travel Market in London between November 14 and 17.

The image which the government will be trying to sell to the puhlic is that of a safe and cheap country boasting enormous diversity and friendly people. One promotional hrochure says that "Bolivia is the new undiscovered tourist destination" and that "Bolivia is definitely the last frontier" for those seeking ancient cultures or ecological adventure.

The potential exists. Tourist attractions in Bolivia abound. Only an 1½ hours from La Paz, for example, are the crystal-clear waters of Lake Titicaca, 4,000m above sea level and fed hy the melting waters of the snow-capped peaks of the Cordillera Real, which forms a hreath-taking backdrop.

On the island of Paco, the villagers of Suriki demonstrate their skills in constructing balsas, or reed canoes, which the Norwegian explorer Thor Heyerdahl used in his voyages and which the Spanish adventurer Kitin Muñoz is soon to take on a world tour.

Nearby, Tiwanaku is probahly Bolivia's most important archaeological site, featuring monumental stone figures and the so-called Sun Gate, which give testimony to what was once the capital of one of the world's longest-reigning empires.

The pre-Incan Tiwanaku civilisation, famed for advanced agricultural systems that are now being revived, is said to have had significant cultural influance on the subsequently larger Incs empire.

Opportunities for mountain climhing or trekking are numerous near La Paz. Peaks such as the Ilimani or Huayna Potosi, rising over 6,300m are easily accessihle and can he climbed in two days. Stone-paved Inca trails, still employed by farmers and their produce-laden llamas, are ideal for treks through the Andean mountains.

A trip out to Bolivia's Amazon region is worthwhile. Visitors can see Jesuit missions some 220km north-east of Santa Cruz in the middle of the tropical rain forest.

Missionaries from Bavaria, Switzerland and Bohemia went there in the early 17th century to convert the Chiquitano Indians to Christianity and train them as musicians and artisans.

Today, half a dozen of the world's most unique churches make the story of *The Mission* come alive. They still serve as community centres for thousands Chiquitanos.

Women in Ocuri, northern Potosi, don festival finery to celebrate the Day of the Three Wise Men Picture: Antonio Suarez

Eastern Bolivia, with its rich hiodiversity has enormous potential for eco-tourism. A large number of local hird species, among them the hlue-throated or red-fronted macaws, make it an ornithologist's paradise. Access to, and facilities within, the country's protected areas – which boast a wealth of natural beauty – are rather limited, however.

A lack of infrastructure is also evident at other tourist sites such as Samaipata, which features important vestiges of an Amazon trihe in the Andean foothills hut is still rather unprotected and unexplored.

Raymond Colitt

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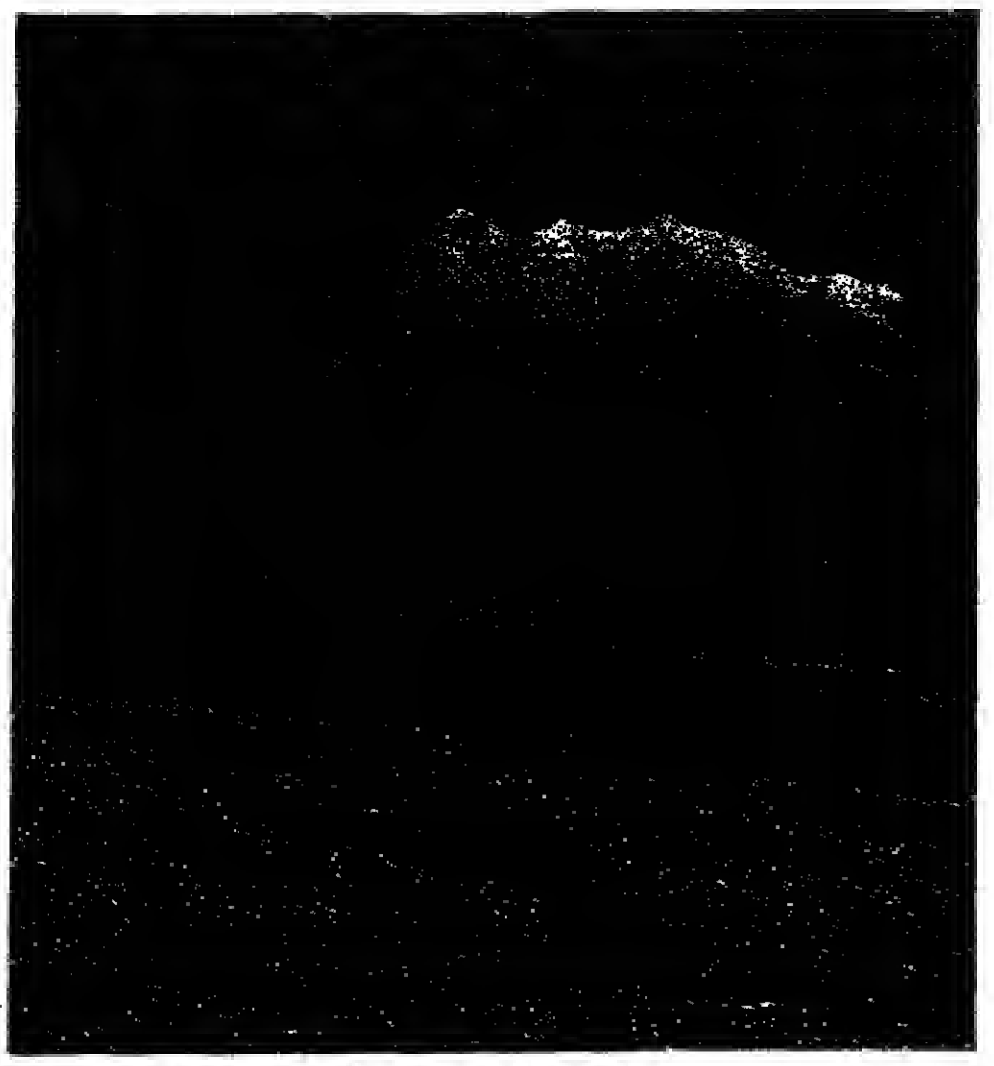

La Paz: squeezed into a natural bowl beneath snow-capped Mount Illimani

Picture: Antonio Suarez

City profiles: La Paz and Cochabamba

A delightfully provincial city

Even world-weary travellers should respond to the charm of the 400-year-old city of La Paz and Ite 1.1m inhabitants squeezed into a natural bowl beneath snow-capped Illimani.

The residential order is the reverse in La Paz to that of many "up-and-down" cities: the poorest live in the inhospitable satellite town of El Alto ("The Heights") at 4,100m above sea level.

The business centre and hotels are located centrally (at 3,600m), where the main Spanish colonial city stood. And the wealthy, in recent years, have withdrawn to the lower slopes, where breathing is easier.

Fortunately, in view of the altitude, doing business in La Paz is physically undemanding: most government offices and corporate beadquarters are within easy walking distance of the main street, El Prado.

The westernised occupants of these offices look, think, act and dress differently from the Bolivian man and woman in the street. Compared to most Latin American cities, La Paz is delightfully provincial in its manners and the bonesty of its inhabitants.

Shared taxis are the preferred form of transport for the *paceños* and one of tbe few places where the social classes *mingle and exchange* political chit-chat.

Bolivians are flexible about punctuality for social appointments; less so for business. Bear in mind what Mr Victor Hugo Cardenas, the vice-president who is himself an Aymara Indian – says of his indigenous fellow *countrymen*, the majority in Bolivia: "They never say yes or no; always maybe. They are never excessively happy or disappointed; never over-optimistic and never over-fatalistic. Balance in all things is the wisdom of the Andes."

● Arriving in La Paz need not be as unpleasant as you have beeo told. True, at 4,000m above sea level, El Alto is the world's higbest big airport – but altitude is 50 per cent in tbe mind. You may experience sligbt breathlessness or light-headedness at first until your body adjusts. Follow the advice recently given by bis personal physician to a 74-year-old former UN secretary-general, returning to the "Altiplano" after years of soft, sea-level living: "Walk slowly; eat little; sleep alone". Most important: make no business eppointments for the first day, while your red corpuscles are building up. Drink abundant liquids (but not alcohol) and avoid over-bot baths. A *mate de coca* (coca tea) on arrival may help stave off *soroche* (altitude sickness).

Business travellers from most European and North American destinations will not require visas. Customs formalities are relaxed and airport staff helpful. A taxi into town *(about 30 minutes) costs* less than $10. Cabs have no meters. Don't expect taxi drivers to speak English; they are, however, honest and reliable. A $20 exit tax is payable on departure.

La Paz's range of eating-houses is expanding

● Hotels: *Status-conscious* businessmen frequent the Radisson (the remodelled former Sheraton), tbe Plaza or the Presidente, all of which are well up to international standards. The discriminating traveller mey prefer the cosier atmosphere of the newly-inaugurated Rey Palace where suites are huge and half the price.

● *Restaurants*: Thanks to the expense accounts of a continuing procession of international functionaries, development experts and nbiquitous consultants showing Bolivia the way to "modernity", La Paz'e range of eating-houses is expanding. The Utama sky-room restaurant in the Plaza hotel (excellent *salad bar) has an established* and well-deeerved reputation. For a quiet business lunch or dinner, choose *between* Juliano's and La Quebecoise, both in former private houses. Even more intimate is the Restaurant de la Paz, where the tables are set with the owner's own solid *silver* cutlery.

Newly fashionable among carnivorous Bolivians is the *Brazilian-style meat restaurant* Brasargent (fixed price; all the meat you can eat). The Casa del Corregidor (Swiss management but Bolivian chef) offers Bolivian folk music and local and international dishes in a colonial setting. If yon have time, the Oberland (through the "Valley of the Moon") is a pleasant lunch spot. And when you need a coffee, opposite the central post office is the legendary *Cafe La Paz* where old-time conspirators planned their coups.

● Typical dishes and drinks: *Saltenas* – a spicy meat or chicken turnover traditionally eaten before lunch always with a cold drink, never coffee or tea. *Chairo* – the soup of La Paz, meat-based with at least 10 spices, made with dried potato flour *(chuno)*. *Picante mixto* – as a main dish. In its complete version, it includes jerky, rabbit, tripe and tongue. *Chuflay* – a mixture of *singani* (a locally-distilled spirit made of grapes), lemon juice and Seven-Up. *Concepcion* – a breakthrough in Bolivian wine. *Could be Chilean.*

● Communications: Picking up a pre-capitalisation Bolivian telephone can be a nightmare; getting through, locally and internationally, is time-consuming. Picking up the Bolivian Times, the country's only English-language newspaper, is a more agreeable experience. The one-year-old weekly appears on Fridays.

Cochabamba: Half and hour's *flight from La Paz*, this "city of eternal spring", at 2,600m above sea level, has lost some of its former architectural charm in the aftermath of the 1980s coca boom down the road to the Chapare. It remains a pleasant and relaxed, but well-developed, business centre.

Stay at the deceptively gracious, recently-refurbished Gran Hotel Cochabamba. Built edjacent to a small church, some rooms permit participation in services next door. Round the corner is the new Hotel Portales, not to be con*fused with the Patino mansion* (now a cultural centre and art gallery) in the same block. Both hotels have swimming pools.

The Gran Hotel restaurant is considered the best in town.

Richard Bauer and Sally Bowen

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Bolivia

LA NUEVA

For tourism-information in the USA and Canada, phone: 1-800-BOLIVIA or write to: The Tourism Secretariat, P.O. Box 1868 La Paz, Bolivia.

Santa Cruz

Gateway to the Amazon

Santa Cruz de la Sierra, misleadingly called "of the highlands", is Bolivia's agro-industrial centre and gateway to the Amazon region.

This sprawling city of about *750,000 inhabitants boasts* the highest per capita income of the nation and is rivalling La Paz as the number *one* city in *Bolivia.*

Tens of thousands of migrants arrive annually – principally from the highlands – in search of employment. Some join the growing service industry, others end up sorting through the growing trasb mounds beyond the last of the eight highway rings that sub-divide the city.

The Dunas de Arenas just outside the city are interesting sand formations

Architecturally, Santa Cruz cannot compete with the quaint colonial cities of Sucre or Potosí. Yet at the heart of the city lies the picturesque Plaza 24 de Septiembre with its ecliptic-style *cathedral* (Basilica Menor de San Lorenzo) and a well-kept park with colourful native Tajibos trees. The *arcaded streets surrounding* the plaza maintain something of a colonial air.

Also in the city centre is El Arenal, a type of Central Park with an open-air market nearby and countless food stalls. In the centre of the park a mural by the artist *Lorgio* Vaca depicts the encounter of the Waraní Indians with the first Spaniards coming to the region. The park's anthropological museum provides an introduction to the Chiquitano Indian culture, but artifacts on display are poorly labelled.

Among the crowds that wind their way through a seemingly endless commercial district and the bustling traffic of the *city centre* are the characteristically plain-clad Mennonites, of Canadian and Paraguayan origin. Another group of immigrants, invited by the Bolivian government to settle the still virgin rainforest surrounding Santa Cruz decades ago, are the Japanese. They have found employment in numerous professions and established half a dozen or more good restaurants.

Visitors seeking a cool and shady refuge in the often sweltering mid-day heat of Santa Cruz should visit the municipal zoo. For those that cannot make it to any of the outlying national parks to see the fauna in its natural habitat, the zoo *has* a good *display* of some of the rare and endangered species from all over Latin America.

Santa Cruz's Carnival, celebrated before Lent, is famous throughout the region. Floats, parades and dancers in the streets reveal the gaiety for which the people of Santa Cruz are known. Pedestrians should beware the water-filled balloons which youngsters throw indiscriminately at passers-by.

Santa Cruz offers the traveller a host of excellent hotels and restaurants. Reservations are especially recommended in September when the annual Santa Cruz Trade Show is on. It attracts vendors from *all* of South America and specialises in agro-industrial products and services.

Business travellers are rec*ommended* to *stay* in *the* centrally located four-star Grand Hotel Santa Cruz, which features a swimming pool and *spacious patio, or the Hotel* El Arenal, which is somewhat less spacious but is a good value.

The city's biggest and most exclusive hotel is Los Tajibos which offers a pool and a restaurant recommended for its ceviche (marinated fish). The casino is presently closed. A second five-star apart-hotel, Yatañ, has recently been inaugurated. Both lie in the wealthy residential neighbourhood of San Martín.

The Dunas de Arenas just outside the city are interesting sand formations and are becoming something of a tourist attraction. They are also a warning of the dangers of massive *erosion* due to *deforestation* and unsustainable agricultural activities.

The city's airport offers excellent service and daily non-stop connections to La Paz, São Paulo and Miami, but is not busy. The same applies to Santa Cruz train station.

Raymond Colitt

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July 1992 – July 1994

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IN BRIEF

Warburg losses prompt cuts

SG Warburg, the UK-based investment bank, yesterday said it would review staff levels and delay planned investments as part of a drive to cut costs after losing money on trading in the six months to September 30. Page 18; Details, Page 24;

BASF looks at Boots pharmaceuticals
BASF, the German chemicals and drugs group yesterday said it was "looking at" the pharmaceutical division of Boots, the UK high street chemist and retailer, but refused to comment on reports that it had posted a takeover bid. Page 18

Agnellis strengthen Danone link
The Agnelli family yesterday strengthened its links with Danone, the French food group, by buying a 12 per cent stake in Danone Asia for $53m. Page 18

Nokia sells energy operation
Nokia, Europe's biggest manufacturer of mobile telephones, has taken a further step towards concentrating its business on telecommunications with the sale of its energy supplying subsidiary to Pohjolan Voima, the Finnish power group, for FM1.4bn ($298.5m). Page 18

Data General files suit against IBM
Data General has filed a patent infringement lawsuit against International Business Machines, charging that IBM has "wilfully" infringed upon seven Data General patents. Page 19

TNT in the black but payout unlikely
TNT, the Australian transportation group, returned to the black in the first quarter of its current year with a profit of A$18.3m (US$13.8m). Page 20

Westpac profits advance sharply
Westpac yesterday began the Australian banks' reporting season by announcing an after-tax profit of A$704.7m (US$533.8m) in the 12 months to end-September, up from A$39.2m the previous year and a A$1.56bn loss in 1991-92.
Page 21

Anglian Water up but sector falls
Anglian Water yesterday announced a 20 per cent rise in pre-tax profits to £120.6m ($197.8m) for the half year to September 30 and declared a 9.6 per cent increase in its interim dividend from 7.3p to 8p.
Page 25

Forte pays FFr1.82bn for Meridien hotels
Forte has paid a total of FFr1.82bn ($355m) for the Meridien hotel chain. The final purchase price for Meridien is less than the FFr1.9bn envisaged when the deal was first announced in September.
Page 26

Recs capable of big dividend growth
The electricity sector has delivered a stream of good news to shareholders since privatisation began four years ago. In the forthcoming interim results season some of the 12 regional companies are considered capable of delivering strong dividend rises.
Page 27

Second high for Sonae
The share price of Sonae Investimentos, Portugal's largest conglomerate, hit its second consecutive 1994 high yesterday. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Goldschmidt TH	825	+	15
Henkel	388	+	10
Falls			
Beiersdorf	1015	−	38.5
Karstadt	575	−	11.5
Kaufhof	471	−	11
Rosenthal	240	−	7

NEW YORK ($)			
Rises			
Apple	42¾	+	1⅛
Boole & Babbage	24	+	1¼
Broderbund Soft	62¼	+	1⅛
Hewlett-Packard	98½	+	2
IBM	73¼	+	1⅛
Falls			
Southwest Air	22¼	−	1⅛

New York prices at 12.30pm.

PARIS (FFr)			
Rises			
Dollfus Mieg	316.2	+	11.2
Gal Lafayette	2410	+	80
Falls			
Fromageries Bel	4910	−	190
GTM-Entrepose	362	−	14.5
Intertechnique	516	−	19
SILIC	850	−	30

TOKYO (Yen)			
Falls			
Chuo Tst & Bkg	1570	−	60
NEC	1170	−	10
Nakabayashi	953	−	25
Nippon Steel	388	−	9
Sailor Pen	869	−	47
Toyo Tst & Bkg	1080	−	40

LONDON (Pence)			
Rises			
Carr's Milling	197	+	6
Control-Tech	482	+	14
Delta	454	+	11
Filtronic	147	+	7
Greenway	98	+	5
Kewill Systems	272	+	9
Pendragon	262	+	11
Phonelink	230	+	9
Plant & Gen	60	+	5
Protean Int	262	+	30
Smith New Court	345	+	12
Telspec	333	+	12
Warburg (SG)	629	+	20
Wyndham Props	147	+	6
Falls			
Coal Invs	94	−	10
Dickie (James)	168	−	7
Lloyd Thompson	176	−	16
ML Labs	168	−	8
Sun Oil	68	−	7

NEC to boost holding in Groupe Bull

By Michiyo Nakamoto in Tokyo and John Ridding in Paris

NEC, the Japanese electronics group, plans to increase its stake in Groupe Bull as part of the privatisation of the lossmaking French computer group.

The Japanese company, which is Bull's largest private shareholder, said yesterday it was "considering positively" an increase in its 4.4 per cent stake. However, the company would not reveal how much it was willing to invest in Bull.

The French government plans to reduce its stake in Bull from 75.8 per cent to less than 50 per cent within the next few months through the sale of shares to industry partners. French officials declined to comment on the size of the stake which could be sold to NEC, but industry observers believe the Japanese company could raise its holding to about 10 per cent.

The two companies, which co-operate in marketing and in the development of mainframe computers, have strengthened business ties over the past year. NEC invested Y7bn ($72m) in Bull at the end of 1993 as part of a recapitalisation plan for the French group.

Earlier this year, NEC announced a plan to increase transactions with Bull from an annual Y6bn-Y7bn to about Y20bn within the financial year.

NEC said its interest in raising its stake in Bull reflected its strategy of expanding its operations in Europe. The development of a global information infrastructure made Europe a particularly promising market for NEC's computer and telecommunications equipment and systems, NEC said.

According to NEC, Bull's marketing network will assist in the development of its activities in eastern Europe and the Commonwealth of Independent States, where demand for computers, electronic devices and communications systems is expected to expand.

The relationship between NEC and Bull has provided NEC with a marketing channel in Europe and Bull with a range of NEC products. In a memorandum of understanding signed last year, NEC agreed to supply Bull with electronic devices including semiconductors and colour liquid crystal display panels and Bull agreed to market NEC's computers and systems in Europe.

The French government has been seeking partners for Bull to enable its privatisation. The task has been complicated by the financial position of the group, which has suffered losses of more than FFr15bn ($2.9bn) over the past three years. IBM, the US computer group, holds about 2 per cent of Bull's shares and, France Télécom owns 17 per cent. The French industry ministry said it had no objection to NEC raising its holding – is s shift since 1991 when Mrs Edith Cresson, then prime minister, sought to block NEC's investment.

Lex, Page 16

Business class lifts BA to record

By Simon Davies in London

British Airways yesterday announced record second-quarter profits and an "encouraging" outlook for the full year, as it reaped the rewards of a campaign to win business travellers and tight cost controls.

However, BA said it would make provisions against its $400m investment in USAir, if negotiations with the troubled airline's Pilots' Union are not "successfully resolved". A full write-down would add 3 percentage points to its current net debt/capital ratio of 53 per cent.

Pre-tax profits for the six months to September rose 45 per cent to £341m ($559m), with £253m coming from the second quarter. The figures were above expectations, and the shares closed 8p higher at 365p.

Sir Colin Marshall, chief executive, said the company was on target to achieve its previously-stated aim of £150m of cost savings for the full year.

Operating costs rose 7.7 per cent to £3.18m during the period, compared with a 9.8 per cent increase in group turnover to £3.62m. The cost base was helped by s 5.4 per cent fall in fuel and oil costs.

The airline carried 16.4m passengers during the period, an increase of 6.8 per cent. Its performance was improved by the fact that revenues from the more profitable first and business-class passengers grew at almost double the rate of economy class.

However, Qantas, the Australian flagship carrier in which BA has a 25 per cent stake, announced profits of A$301.8m (US$228m) for the year to June, up from A$32.9m, and it is operating in what IATA expects to be the fastest growing market in the world over the next four years.

However, TAT and Deutsche BA, BA's European affiliates, reported losses similar to 1993. Analysts estimate that the two companies will lose more than £50m this year after the competitive impact of the French government's £2.4bn subsidy to Air France.

Overall, associates contributed £2m, compared with a £13m loss in 1993.

Lex, Page 16; Qantas in China, Page 21

David Blackwell reports on the UK retailer seeking further expansion

Marks and Spencer sales in continental Europe rise 20%

Marks and Spencer, the UK food and clothing retailer, has lifted continental European sales by 20 per cent since exporting its Outstanding Valua Campaign from the UK.

The campaign, run in the UK for the past couple of years, passes on to customers cost savings made through improvements in efficiency and information technology without damaging operating margins. It is operated jointly with suppliers, who benefit from higher production runs.

Sir Richard Greenbury, chairman, yesterday stressed that it was a long-term project to improve and sharpen the products on sale.

Sales in Europe rose from £134.5m to £152.3m ($250m) in the six months to October 1, the group said yesterday. Operating profits were down from £9.3m to £5m after charging £3.8m for the opening of new stores.

Total group pre-tax profits were 15 per cent ahead at £354.2m on the back of a 6.9 per cent sales rise to £3.07bn.

M&S is accelerating its expansion plans, and is lifting capital expenditure to a record £400m this year. While most of this will be spent in ths UK, Sir Richard says there are few high streets and out-of-town sites where the group has no store.

In contrast, there are only 25 stores on continental Europe. M&S has already identified a further 45 to 50 sites across France, Holland and Spain, but Sir Richard stressed that the group would proceed with caution.

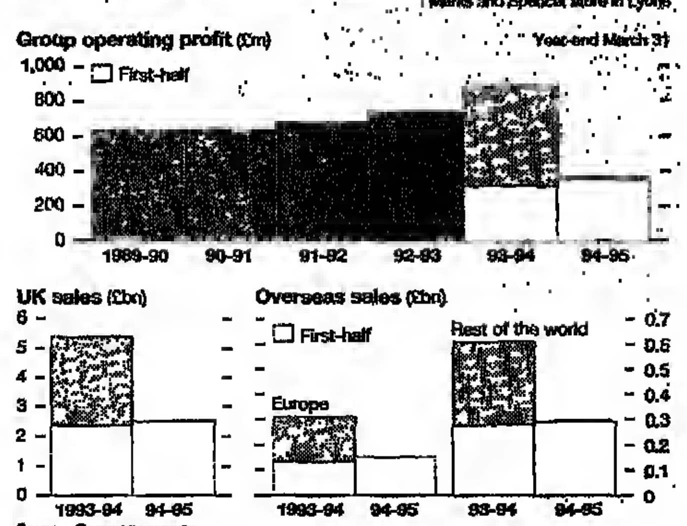
The group is also looking at Japan and China following the success of its Hong Kong operations, which are yielding better returns than anywhere else.

Sir Richard said a decision on whether to go ahead with a first store in Jspan would be taken within 12 months.

Lex, Page 16; Details, Page 26

Growth at home and away

Marks and Spencer store in Lyons



Source: Company reports

Sears puts tower in the hands of trust

By Laurie Morse in Chicago

Sears, Roebuck is transferring the ownership of its landmark Sears Tower in Chicago, the world's tallest building, to s trust. This is the latest attempt to relieve the retail and financial services group of the financial burden which has weighed it down despite the prestige of the tower, which attracts 1.5m tourists a year.

Sears, seeking cash for an expensive corporate restructuring, took out the existing mortgages on the 110-story tower in 1990 after attempts to sell the building failed.

Financed near the height of the US property boom, the tower, built in 1970, has suffered from high vacancy rates and competition from newer offices. Local property specialists estimate the tower's value at less than half of the mortgage amount, or about $400m.

Tha arrangement frees Sears from interest payments on $850m in mortgage debt, which in recent years have far exceeded rental income from the tower.

The company said the debt restructuring would result in a $195m after-tax extraordinary gain in the fourth quarter, or about 50 cents per share. In addition, it expects to save about $75m a year in interest expenses as a result of the deal.

Sears moved its operations staff to new headquarters two years ago, the 3.6m square-foot tower's occupancy rate dropped to 55 per cent. Although the tower is now 75 per cent leased, income still does not cover taxes and operating costs.

Under the two-phase restructuring agreement, ownership of the tower and its related mortgages will pass to a trust that benefits AEW Partners, L.P., a Boston-based partnership of pension plans managed by Aldrich, Eastman and Waltch.

The pension plan of Chicago-based Ameritech is included in the partnership. AEW becomes responsible for overall management of the tower.

AEW is secondary mortgage holder on the tower, with Metropolitan Lifa Insurance holding $600m of the tower's debt.

In the second phase AEW Partners will take ownership of the tower in 2003, a year earlier than under the old mortgage agreement. AEW Partners in 2005 will have to meet the $600m mortgage commitment to Metropolitan Life.

Sears Tower: expensive symbol of power

Barry Riley

Watching for fall-out as dollar rates climb

Now the mid-term elections are over, the US Federal Reserve csn return from ite eabhatical. The markets are assuming that the Fed open market committee will agree to raise short-term interest rates by at least half a percentage point when it meets next Tuesday.

Astonishingly, short-term dollar rates are still lower than those on D-Marks, French francs and sterling despite higher inflation, s weak currency and a serious trade imbalance. However, the money market yield curve is artificially steep, and at six months dollars yield about 75 basis points more than D-Marks.

Since the Fed last raised rates in August the dollar has weakened markedly, and so has the Treasury bond market. During August and September 10-year German government bonds outyielded the corresponding US Treasuries but now the T-bonds return 40 basis points more. Europe has managed to de-couple from the ailing dollar markets.

Thus at the long end the 30-year T-bond yield has been moving up through 8.15 per cent. This has provided a weak background for the Treasury's auctions of bonds totalling $29bn yesterday and today.

Although the US funding requirement is scarcely formidable in relation to the size of the economy, this is not a favourable time in the economic cycle for bonds. Not only are Americans notoriously unenthusiastic savers – nothing new there – but several main sources of demand have largely dried up.

Flows into retail bond mutual funds have ceased this year in the face of capital losses, snd modest (so far) rises in CD rates. Meanwhile foreigners are eteering well clear of dollar bonds, at least until the Fed has tightened and it looks as though the dollar has bottomed.

Then there is the problem of the banks. Until the bond market turned a year ago, US banks had bought more than $300bn of Treasury securities within about four years. They are now sellers, as the profitable spread over the carrying cost shrinks and meanwhile more attractive lending opportunities appear in the expanding US economy.

The bulls argue the bears have had plenty of chances, and they haven't taken them

The big question is whether they might become forced sellers. The huge interest rate spread available a year and more ago on two to five-year paper has been narrowed by the rise in overnight money costs from 3 to 4.75 per cent, but it would be much worse at 5.25 per cent, let alone the pre-emptive 5.75 per cent that the bears talk about; the positions would probably run st a loss and the banks might no long be prepared to maintain them to maturity. Nor will the story end there: by mid-1995 the market expects short rates to be at 6.5 per cent.

A great deal depends on the extent to which the leveraged exposures in the US securities markets have been unwound. According to the Wall Street newsletter Grant's, very little: securities credit outstanding to banks, broker-dealers and households stood at $274bn at the end of June, having doubled in about three years.

Meanwhile the US equity market wriggles uncomfortably, trying to pretend that problems in bonds can be ring-fenced. The stock market is still only 4 per cent below its peak, although transports and utilities have sold off by a fifth. But if the long bond yield continues to edge up towards 8.5 per cent the pressures on equities may become unbearable.

However, ss the bulls argue, the bears have already had plenty of chances, and they haven't taken them. Meanwhile there has been plenty of sector rotation to chase.

The general summary of the US economy is that monetary policy has for several years been too loose. This has not shown up in exceptionally high monetary growth because the credit has been mopped up by the securities markets, or dollars have piled up abroad where Asian governments have been holding down their currencies. Nor has inflation been particularly high, because the balance of payments has taken much of the strain.

Now the dollar overhang has become much more threatening, however, and policy must be sharply tightened. Yet Alan Greenspan, the Fed chairman, has to move with care. Having saved the banking system in the late 1980s he surely does not want to have to rescue the securities markets.

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BASF shows interest in Boots arm

By Christopher Parkes in Frankfurt and Daniel Green in London

BASF, the German chemicals and drugs group, yesterday said it was "looking at" the pharmaceutical division of Boots, the UK high-street chemist and retailer, but refused to comment on reports that it had made a takeover offer.

BASF is one of several companies that have discussed buying the Boots' pharmaceuticals division. A management buy-out team has also shown interest.

Boots has one of its regular main board meetings later this week and the future of the pharmaceuticals division is certain to be discussed.

Mr Jens-Uwe Bliesener, a corporate development executive at Knoll, BASF's main healthcare subsidiary, said Boots was one of the top 50 companies worldwide which had been examined in the group's well-publicised search for potential partners.

He declined to say whether the UK business was still of interest or if talks were under way.

"We have no official statement," he said.

However, Mr Bliesener conceded that BASF was trying to fill gaps in its market coverage, including the UK and France. Japan, where Knoll is unrepresented, was also of interest.

Boots pharmaceutical sales are largely in the UK, the US and members of the UK's Commonwealth. Its main products are Synthroid, a thyroid drug, and ibuprofen, an anti-inflammatory and painkiller.

Knoll, with annual drugs and medication sales of about DM2bn ($1.3bn) compared with DM11bn at Hoechst, is considered too small to compete efficiently with other research-based pharmaceutical companies.

Its research budget this year is expected to be about DM300m.

Knoll has no obvious successor products to replace top-seller Isoptin, a heart treatment on which the European patents expire in 1996.

Sales last year totalled more than DM500m.

Knoll's main advantage is that it has an immensely-rich parent group whose chairman, Mr Jürgen Strube, refuses to contemplate withdrawal from the drugs business.

Recent efforts to improve prospects include belated entry into the German generics markets with a new company, BASF Generika.

Black-owned group to run 47 Denny's restaurants

By Richard Tomkins in New York

Denny's, the US restaurant chain recently exposed as having discriminated against black customers in many of its 1,500 restaurants, yesterday announced that it had appointed a black-owned business to run 47 Denny's restaurants in the states of New York and New Jersey.

The company is NDI Foods, a newly-formed subsidiary of the Atlanta-based NDI Inc. A second subsidiary of the same company, NDI Video, owns and operates 23 Blockbuster Video stores in the US.

Under the agreement with Denny's, NDI Foods will buy 17 company-owned Denny's restaurants in New York and New Jersey this year and acquire the right to buy five more next year.

It will also build and operate 25 new Denny's restaurants in the same territory over the next five years.

The deal will be financed by the New England based Banc-Boston Capital, a subsidiary of the Bank of Boston.

The price of the transaction was not disclosed.

In May this year Denny's, part of Flagstar, the Nasdaq-quoted restaurant group, agreed to pay $46m in damages to thousands of black customers to settle charges that it had discriminated against them.

Some Denny's managers, it emerged, had tried to drive black customers away by refusing them service or making them pay in advance.

The discrimination came to light in April 1993 when six black agents on the US president's secret service detail were kept waiting nearly an hour in a Denny's restaurant while white colleagues were served.

In an attempt to rebuild its reputation, Flagstar reached an agreement with the National Association for the Advancement of Colored People in July this year, pledging to put at least eight of its restaurants into the hands of black franchises by the end of this year and at least 53 by the end of 1997.

Agnellis buy 12% stake in Danone Asia for $53m

By Andrew Hill in Milan

The Agnelli family yesterday strengthened its links with Danone, the French food group, by buying a 12 per cent stake in Danone Asia for $53m.

The acquisition was carried out by Ifil, the Agnellis' quoted industrial holding company in Italy, and Exor, which is linked to Ifi, the family's investment vehicle.

Danone Asia is a holding company for Danone's food interests in 12 countries, including India, Malaysia, New Zealand and China, with headquarters in Singapore.

It claims to be the market leader in biscuits in Asia and has a strong position in the yoghurt sector, cooked dishes and sauces. Its turnover in 1993, according to Ifil, was about L700bn ($450m).

The deal follows last month's announcement of planned changes in the ownership of Saint Louis, the French food and paper group, which has a small stake in Danone.

Saint Louis shareholders have been asked to approve a FFr1.5bn ($288m) capital increase reserved exclusively for Ifil. The operation would raise Ifil's stake in the company to 25.9 per cent from 15.7 per cent, and dilute the stake of Worms, the French holding group, to 27.8 per cent from 31.6 per cent.

Ifil is to pay for half the increase in cash and half in shares of the Danone parent company, increasing Saint Louis' stake in the food group to 3.8 per cent, and keeping Ifil's indirect stake at just under 6 per cent.

Profits surge at SSAB for nine months

By Hugh Carnegy

SSAB, the Swedish steel group, yesterday reported nine-month pre-tax profits of SKr1.39bn ($189.1m), a near four-fold increase from SKr355m in the same period last year.

The group has reaped the benefits of improved demand and rising prices in Europe. SSAB said it expected full-year pre-tax profits to be about SKr2bn if trading conditions continued. This would be more than double last year's SKr776m.

Sales in the first nine months rose 20 per cent to SKr11.2bn from SKr9.38bn, due to higher volumes and increased prices, SSAB said. Operating expenses advanced to SKr9.34bn from SKr8.58bn, leaving operating profits after depreciation at SKr1.4bn, compared with SKr343m last time.

The group's biggest division, the Tunnplat steel plate operation, saw operating profits jump to SKr829m from SKr142m on sales of SKr5.8bn.

SSAB said steel consumption in western Europe was expected to increase 6 per cent in 1994, bringing consumption back to 1987 levels. In the US it was expected to rise 9 per cent, reaching the highest levels of recent years.

Price increases, and the effects of a weak Swedish krona, meant the group's steel prices in kronor rose 17 per cent compared with last year.

Nokia sells energy operation

By Hugh Carnegy in Stockholm

Nokia, Europe's biggest manufacturer of mobile telephones, yesterday took a further step towards concentrating its business on telecommunications with the sale of its energy-supply subsidiary to Pohjolan Voima, a Finnish power group, for FM1.4bn ($298.5m).

Nokia said the sale of Nokia Power, which last year contributed FM550m to group sales of FM23.7bn, through sales of electricity, thermal energy and natural gas, would produce a capital gain of about FM700m.

The deal with Pohjolan, which supplies about 18 per cent of Finland's electricity consumption, includes the transfer of Nokia's shareholdings in four other Finnish power companies.

"Divesting our energy operations is a logical step in Nokia's strategic development," Mr Jorma Ollila, Nokia's chief executive, said.

The Finnish group is riding a wave of fast growth in its telecommunications operations. Last month, it announced a five-fold increase in group profits in the first eight months of the year, to a pre-tax surplus of FM2.29bn on sales of FM18.2bn.

Much of the growth stemmed from its leading position in mobile telephones, where it is second in the world to Motorola of the US in the production of mobile handsets.

Since taking over at Nokia two years ago, Mr Ollila has set about completing the company's transformation from a sprawling industrial conglomerate to a group focused on telecommunications and electronics. More than 60 per cent of group sales is accounted for by its telecommunications divisions.

The next restructuring move is likely to be the flotation on the Helsinki stock market of most of Nokia's 80 per cent holding in Nokia Tyres, a move signalled by Mr Ollila last month.

Nokia Tyres last year posted sales of FM862m.

Kymmene in FM1.5bn cash call

By Hugh Carnegy

Kymmene, Finland's second-largest forestry group, is to launch a share issue in Finland and overseas which should raise more than FM1.5bn ($319m) to reduce debt and strengthen the group's balance sheet.

Kymmene, which returned to profit this year as the forestry products industry swung out of recession, will offer up to 15m shares.

The move follows the breakdown in June of merger talks between Kymmene and United Paper Mills, the forestry unit of fellow Finnish company Repola, which would have created one of Europe's biggest forestry groups.

"This offering is very significant," said Mr Harri Piehl, Kymmene's chief executive. "It will strengthen our balance sheet and provide a firm financial base for our growth."

Kymmene's net debt to equity stands at 210 per cent. It had interest-bearing net liabilities in August of FM15.3bn.

Retail and institutional investors in Finland will be offered 2.5m shares in a public offering. The overseas tranche will be divided into 4.4m shares for North America and 6.2m for elsewhere, marketed on a book-building basis. A further 1.9m shares will be available to cover over-allotments on the global issue.

Merrill Lynch International of the US is lead manager for the global tranches.

Pricing, to be the same for all three geographical offerings, will be fixed in December. This week, Kymmene shares have been trading around FM123 in Helsinki.

Kymmene reported a FM545m pre-tax profit in the first eight months of the year, compared with a (restated) loss of FM337m in the same period in 1993, on sales of FM12.11bn. The group forecast earnings for the full year of FM1bn, compared with last year's FM256m loss.

Warburg hit by trading losses

By John Gapper, Banking Editor

S. G. Warburg, the UK-based investment bank, yesterday said it would review staff levels and delay planned investments as part of a drive to cut costs after losing money on trading in the six months to September 30.

Warburg, which issued a profits warning last month, saw a slump in investment banking profits to £5.5m ($8.85m) in the first half from from £98.4m in the same period last year. Asset management contributed the rest of the £62.5m pre-tax profit, down from £148.8m.

Dealing income fell to £45.3m from £140.6m in volatile and illiquid markets. Lord Cairns, chief executive, said it made profits on proprietary trading, but dealing for clients – the "vast majority" of its trading – did not cover costs.

Lord Cairns and Sir David Scholey, chairman, insisted that Warburg had to remain a trader and marketmaker in securities to support other activities. They said it remained "strongly committed" to becoming a leading international bank.

Total costs rose 10 per cent to £378.8m from £343.3m in spite of a fall in staff costs, from £214.1m to £202.3m. Other operating charges, including investment in sales and trading technology, rose to £157.1m from £111.5m.

Lord Cairns said Warburg would delay some investment in trading systems, particularly those preparing for higher volumes. There would not be "a massive redundancy programme", but staff requirements would be scrutinised carefully. He and Sir David said "a reduced and more flexible cost base will contribute considerably to improving performance".

Lord Cairns said he was satisfied with risk management systems for trading. Warburg had reduced open positions after the tightening of US monetary policy in February, but "if you are a marketmaker, you have got to be there".

Annualised return on equity fell to 9.1 per cent from 29.5 per cent, with earnings per share falling to 14.4p from 41.8p. The bank declared an unchanged interim dividend of 13.1p.

Mercury Asset Management, the fund management group 75 per cent-owned by Warburg, declared pre-tax profits of £57m, compared with £50.4m.

See Lex, Page 16;
Mercury Asset Management, Page 24

AGF cuts jobs at Spanish division

By Andrew Jack in Paris

Assurances Générales de France, the insurance group which is due to be privatised, is to cut the workforce at its Spanish subsidiary by more than a third in the next three years to try to make it profitable by the end of 1996.

The company said yesterday it planned to reduce the 2,100 staff at AGF Union Fénix by more than 730 as part of a series of management initiatives designed to trim costs and reduce its dependency on its parent.

Fénix had a Pta35bn ($277m) deficit last year.

AGF gained control of Fénix, the fifth largest insurance company in Spain, earlier this year from Banesto, the Spanish banking group. The French group holds more than 60 per cent of the shares.

AGF said it was committed to expanding the operations of Fénix Autos, which it claims is the first telephone insurance service in Spain and now has more than 160,000 customers.

It said it was beginning to use the same subsidiary to sell multi-risk household insurance and would increasingly use it for the telemarketing of its products.

AGF has invested heavily in Spain as part of its strategy of international expansion, espoused in the late 1980s, to generate 40 per cent of its turnover from operations outside France – a target it achieved last year.

Looking to the future of petrochemical investments doesn't require a crystal ball it requires accurate information and analytical skills.

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The Limited recovers with a 10% increase

By Richard Tomkins in New York

The Limited, a US clotbing retailer, improved on its recent weak financial performance by reporting a 10 per cent increase in net income to $90.5m from $82.2m in the third quarter to October.

Mr Leslie Wexner, chairman and chief execntive, said: "This quarter is early confirmation that the changes we've made in our business are having a positive effect."

The Limited has been experiencing good performances in its lingerie, men's, children's and Bath and Body Works businesses.

However, these have been outweighed hy poor resnlts from its core women'a fashion accessories stores, trading as The Limited and Lerner New York.

Yesterday Mr Wexner said the company had been focusing on margin recovery at its women's clothing stores for several months.

"We have tightiy controlled our inventories and expenses," he said. "As the third quarter ended, in addition to the margin rate recovery, we began to see improvements in our store-for-store sales comparisons at our women'a fashion businesses."

Revenues for tha group as a whole rose by 6 per cent to $1.7bn, with most of the increase coming from the lingerie, men's, children's and body care businesses.

Earnings per share rose to 25 cents from 23 cents .

Mr Wexner said the Bath and Body Works joint venture in tha UK lannched its first three stores during the quarter, and initial customer response met or surpassed The Limited's expectations.

● Dillard Department Stores, one of the biggest US department store groups with 232 outlets, increased net income by 20 per cent to $50.8m from $42.4m in the third quarter to September.

Revennes increased to $1.3bn from $1.2hn. Earnings per share rose to 45 cents from 38 cents.

Data General files suit against IBM

By Louise Kehoe in San Francisco

Data General has filed a patent infringement lawsuit against International Business Machines, the world's largest computer manufacturer, charging that IBM has "wilfully" infringed upon seven Data General patents for several years.

A computer technology leader in the early 1980s, Data General is struggling to regain profitability as it switches from proprietary minicomputer technology to "open systems" based on industry standards.

In its suit, Data General alleges tbat IBM's two most profitable product lines – its System/390 malnframes and AS/400 minicomputers – incorporate patented technologies developed by Data General in the late 1970s.

Data General is seeking "cnmpensatory damages" based on IBM's mainframe and minicomputer revenues. In its suit, Data Geoeral estimates that IBM's cumulative revenues from AS/400 systems have exceeded $25bn, while tbose from its System/390 mainframes, introdnced in 1990, are more than $50bn.

Data General claims IBM had known of its patents since the mid-1980s, but nonetbeless had used the technology in its computer systems. "IBM's infringement has been and continues to he wilful," Data General said in its complaint.

IBM said that it had not yet received a copy of the suit and declined further comment.

Data General said the seven patents allegedly infringed by IBM were among more than 50 issued as the result of an ambitious computer design effort called the "Fountainhead Project", undertaken in the 1970s, "to design and develop the most advanced computer system of its time."

Data General's struggle to develop the world-beating computer is described in *The Soul of a New Machine*, a 1982 Pulitzer Prize winning book by Ms Tracy Kidder.

The compauy is seeking a permanent injunction to bar IBM from further infringement of the patents by manufacturing and selling the S/390 mainframe and AS/400 mid-range computers.

"IBM will continue to infringe unless enjoined by this court," tbe Data General lawsuit says.

Visa plans separate western European unit

By Alison Smith

Visa International, the international payments group, is tn create a subsidiary company, called Visa Europe, to deal with the developed market in payment services across western Europe separately from the newer markets in eastern Europe, the Middle East and Africa.

The move ia intended to allow the group to be more competitiva in the developed markets and to focus on the different skills required for huilding a market in the faster-growing areas.

Both types of markets are currently dealt with in a single region called Visa EMEA.

At the same time there will be a shift in Visa International's arrangements for funding investment in developing markets, putting it on to a global basis.

Under the new system, instead of European members of Visa EMEA contributing to development within the EMEA region, they will contribute to a fund held by Visa international, which will pay for development in all regions.

Mr Edmund Jensen, Visa International president and chief executive, said the splitting of Visa Europe from the rest of the regioo had been driven hy the member financial institutions, and was a further stage in tbe organisation's evolution.

Tbe Visa EMEA region is made up of 115 countries, of which just 24 provide 95 per cent of tbe volume of Visa card payments.

Mr Jensen emphasised that the restructuring would also give memher banks outside Visa Europe – in eastern Europe, the Middle East (apart from Turkey and Israel) and Africa – a greater say in decisions affecting tbem, as they would have a separate organisation. Currently only ooe director represents these countries nn the EMEA region board.

Visa also announced that the third of the three sets of common technical specifications for "chip" or integrated circuit cards on which it has been working with two other interoational payments organisations – Mastercard and Europay – had been agreed.

A common specification for a "chip" card terminal is due to be agreed by July next year. All three payments organisations are also working separately on prototype cards, and will pool the results of their pilot studies.

Equitable climbs 25% on higher investment spreads

By Richard Waters in New York

Equitable, the US financial services group, contiuued to benefit from an improvement in insurance earnings during the third quarter, which more than made up for a deterioration in profits from investment banking.

The 25 per cent increase in net income, to $89.3m, or 42 cents a share, was driven *mainly by higher investment* spreads in the insurance and annuities business. Mr Joseph Malone, chairman of the group's US life insurance arm, added that an improvement in mortality experience and lower unit costs also helped.

After-tax earnings from insurance and annuities rose to $63m from $37.4m a year ago. Both figures are before capital gains and one-off restructuring charges, which resulted in net charges of $3.4m in the latest period and $7.6bn a year ago.

Net income from fund management and investment banking slipped to $31.6m from $56.9m. This was before a $28.5m after-tax gain from the sale of part of the group's interest in Alliance Capital Management.

While Alliance's earnings rose 15 per cent from a year ago, Donaldson Lufkin & Jenrette, Equitable's investment banking subsidiary, saw after-tax earnings fall by 48 per cent, to $25.5m.

Economic recovery helps Trimac double profits

By Robert Gibbens in Montreal

Trimac, North America's biggest road haulier of bulk commodities and the world's fourth-largest contract driller, doubled profits in the first uine months of 1994.

Trimac, controlled by tbe *McCaig family of Calgary*, said the gain stemmed from tbe north American economic recovery and a strong market *for oil and gas drilling rigs.* Exploration activity in western Canada, for example, was running at record levels.

Third-quarter net profit advanced to C$14.5m (US$10.7m), or 36 cents a share, up from C$9.7m, or 24 cents. Nine-month profit was C$31.3m, or 77 cents, against C$16.3m, or 41 cents.

Revenues for the nine months were C$495m, up 10 per cent.

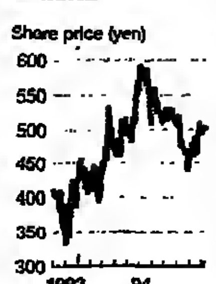
Trimac said third-quarter truckiog results were firm and drilling revenues were up 47 per cent. Its equipment leasing busiuess also improved.

● CAE, tbe world's biggest maker of flight simulators, cootinued its recovery in the second quarter, altbough the US military training division was hit by US defence budget cuts.

Second-quarter net profit was C$10.9m, or 10 cents a share, against $6m, or 6 cents, a year earlier, on revenues of $265m, up 5.3 per cent.

NEWS DIGEST

Minolta suspends video-camera side in domestic market



Source: Datastream

Minolta, the Japanese manufacturer of cameras and office automation equipment, said yesterday it was suspending production and marketing of video cameras for the domestic market, AP-DJ reports from Tokyo. However, a Minolta spokesman said the company would continue to export video cameras made for it hy Hitachi on an original *equipment-manufacturer basis to* the Nnrth American market.

In recent years, Minolta has lost market share to competitors Sony and Sharp as the Japanese market has grown increasingly competitive.

Minolta's domestic sales of video cameras totalled Y2hn ($20.55m) in fiscal 1992, after peaking at Y10hn in 1987, the spokesman said. For the fiscal year ended March 1994, Minolta had total unconsolidated sales of Y184.26bn, with exports accounting for 77 per cent of the total.

Minolta stressed that the move did not necessarily mean the company had left the domestic market for good. He said that the company's strengths in optical engineering and technology were such that it would continue to develop new products with an eye on re-entering tbe market.

Minolta shares closed unchanged at Y502 on the Tokyo Stock Exchange.

Nissin Food Products ahead midway

Nissin Food Products, a leading Japanese food maker, said yesterday its unconsolidated recurring profit – before extraordinary items and tax – for the first half-year to end-September rose 1.3 per cent to Y10.15bn from Y10.01hn a year ago, AP-DJ reports from Tokyo.

Net profits were 11 per cent ahead at Y5.47bn, compared with Y4.91bn, on sales which advanced 1.8 per cent to Y106.08bn from Y104.18bn.

Glencore buys back Rich stake in group

Glencore International has bought back for *casb the final 25 per cent stake in the diversi*fied trading and industrial group beld by Mr Marc Rich, writes Ian Rodger in Zuricb.

Glencore, formerly Marc Rich & Co, agreed in March 1993 to buy out Mr Rich's 51 per cent stake in the business over a five-year period.

Mr Willy Strothotte, chairman of the employee owned group, sald be was very pleased that the ownership traosition had been completed much more quickly tban planned.

No price was given for the transaction, but the group's capital prior to Mr Rich's withdrawal was believed to be in the range of $1bn. The shares will be sold among the group's 5,000 employees.

Mr Rich bas resigned from the boards of Glencore and its quoted Swiss subsidiary Südelektra.

Lyonnaise des Eaux urges Fournier to quit

Lyonnaise des Eaux, the French construction and utilities group, yesterday said it had called for the resignation of Mr Jacques Fournier, the former director fined on Monday by regulators for ahusing insider information, writes Andrew Jack in Paris.

Mr Jérôme Monod, the chairman, with the *agreement of the principal shareholders*, called for Mr Fournier to end his honorific role as an adviser to the board.

Mr Fournier was fined FFr40,000 ($7,695) by the Commission des Opérations de Bourse, the markets watchdog, for using privileged information to sell sbares in the company in January last year before the price dropped following warnings of provisions. Mr Fournier has *said* be *would* appeal.

Vital hangs on to market share

Vital, the Norwegian pension and life insurance group, said year-on-year premium growth to September 30 reached 22.6 per cent, but overall market share was unchanged at 20.5 per cent, writes Karen Fossli in Oslo.

The Norwegian Insurance Association said domestic life insurance companies achieved aggregate premium receipts of NKr18.7bn ($2.82bn) between October 1 1993 and September 30 1994, representing growth of 22.3 per cent, of which Vital's share was NKr3.84hn.

Aggregate domestic industry group pension premiums, according to the NIA, rose hy 24.1 per cent to NKr8.5bn during the period, with Vital's market share falling to 21 per cent from 23.4 per cent, in spite of an 11.4 per cent rise in premiums.

Domestic industry aggregate individual annuity and pension premiums grew 30.8 per cent during the past year to NKr4bn. Vital's premium growth was 55.5 per cent to NKr998m as market share rose to 25.1 per cent from 21.1 per cent.

Telco sales rise 40%

Tata Engineering and Locomotive (Talco), India's biggest truckmaker, has ended the first *six months of 1994-95* with 40 per cent higher sales over the year-ago period, Mr Ratan Tata, chairman, said, Renter reports from Bombay.

He said a sharp revival in demand for trucks in the current year had boosted sales, but he declined to comment on the expected profits, saying the first-half results would be announced on Friday.

Templeton

Templeton Global Strategy Sicav
Société d'Investissement à Capital Variable
Registered Office: Centre Neuberg, 30, Grand-rue, L-1660 Luxembourg
R.C. Luxembourg B-35.117

Notice of Annual General Meeting

Notice is hereby giveo that the Annual General Meeting of Shareholders of Templeton Global Strategy SICAV ("the Fund") will be held at the registered Office of the Fund in Luxembourg on 30th November, 1994 at 11.00 a.m. to consider the following agenda:

1. Presentation of the Report of the Board of Directors.
2. Presentation of the Report of the Auditors.
3. Approval of the balance sheet and income statements for the financial year ended 30th Jane 1994.
4. Discharge of the Board of Directors.
5. Electioo of Directors, specifically the re-election of the following five present Directors: Charles E Johnson, Martin L Flanagan, J Mark Mobius, Gregory E McGowan and Dickson B Anderson and the electioo of the following five additional Directors: Nicholas F Brady, The Duke of Abercom, The Right Reverend Michael Mann, Daniel Marx and Mark G Holowesko.
6. Election of Coopers & Lybrand as Auditors.
7. Approval of the payment of dividends for the financial year ended 30th June 1994 and authorisation of the Board of Directors to declare further dividends in respect of the financial year ended 30th June 1994 if necessary to enable the fund to quality for "distributor status" under United Kingdom tax laws and amendment of quarter dates for payment of quarterly dividends.
8. Consideration of such other business as may properly come before the meeting.

Resolutions on the agenda of the Annual General Meeting will require no quorum and will be taken as the majority of the votes expressed by the shareholders present or represented at the meeting. Holders of Registered Shares who cannot attend may vote by proxy by returning to the offices of Templeton Global Strategic Services S.A., Centre Neuberg, 30, Grand-rue, L-1660 Luxembourg, the form of Registered *Shareholder Proxy sent to them.*

Holders of Bearer Shares who wish to attend the Annual General Meeting or vote at the Meeting by proxy should contact Chase Manhattan Bank Luxembourg SA, 5, rue-Plaetis, L-2338 Luxembourg.

To be valid, proxies must reach *the offices of Templeton Global Strategic Services*, S.A. by November 22, 1994 at noon (Luxembourg time).

By Order of the Board of Directors

Prices for electricity, determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for trading on 09.11.94: Pool purchase price £/MWh	Final Price for trading on 12.10.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	24.17	9.97	9.97
0100	24.17	9.97	9.97
0130	24.17	10.70	10.70
0200	24.17	18.68	18.52
0230	24.17	16.68	18.52
0300	24.17	16.68	18.52
0330	24.17	16.68	18.52
0400	9.22	18.68	18.52
0430	9.21	9.99	9.88
0500	9.21	9.98	9.98
0530	9.35	8.60	8.60
0600	9.22	8.60	8.60
0630	9.22	8.93	10.77
0700	30.31	16.36	18.20
0730	31.81	24.71	26.60
0800	31.48	29.73	31.77
0830	31.81	47.71	49.77
0900	31.82	47.79	49.87
0930	31.84	30.12	32.13
1000	31.85	30.14	32.18
1030	35.56	30.08	32.08
1100	31.86	29.98	31.95
1130	36.57	29.53	31.49
1200	44.95	30.38	32.35
1230	44.94	30.30	32.26
1300	44.92	30.21	32.12
1330	31.83	28.83	30.50
1400	31.82	24.65	26.51
1430	31.82	24.63	26.49
1500	31.82	24.63	26.49
1530	31.86	24.64	26.50
1600	32.53	24.71	26.60
1630	50.73	29.88	31.81
1700	93.27	43.56	45.52
1730	106.39	43.50	45.46
1800	98.12	43.48	45.44
1830	64.08	31.30	33.72
1900	47.98	51.09	53.77
1930	44.84	51.14	53.78
2000	42.75	49.58	51.94
2030	35.48	39.78	41.68
2100	31.81	24.63	26.49
2130	31.81	20.03	21.87
2200	31.77	20.03	21.87
2230	31.87	16.60	18.44
2300	30.31	16.60	18.44
2330	23.18	16.60	18.44
2400	9.32	10.05	10.06

Prices are determined for every half hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.30/MWh becomes 1.830p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-[illegible] between 9.30am and 5.15pm Monday to Friday.
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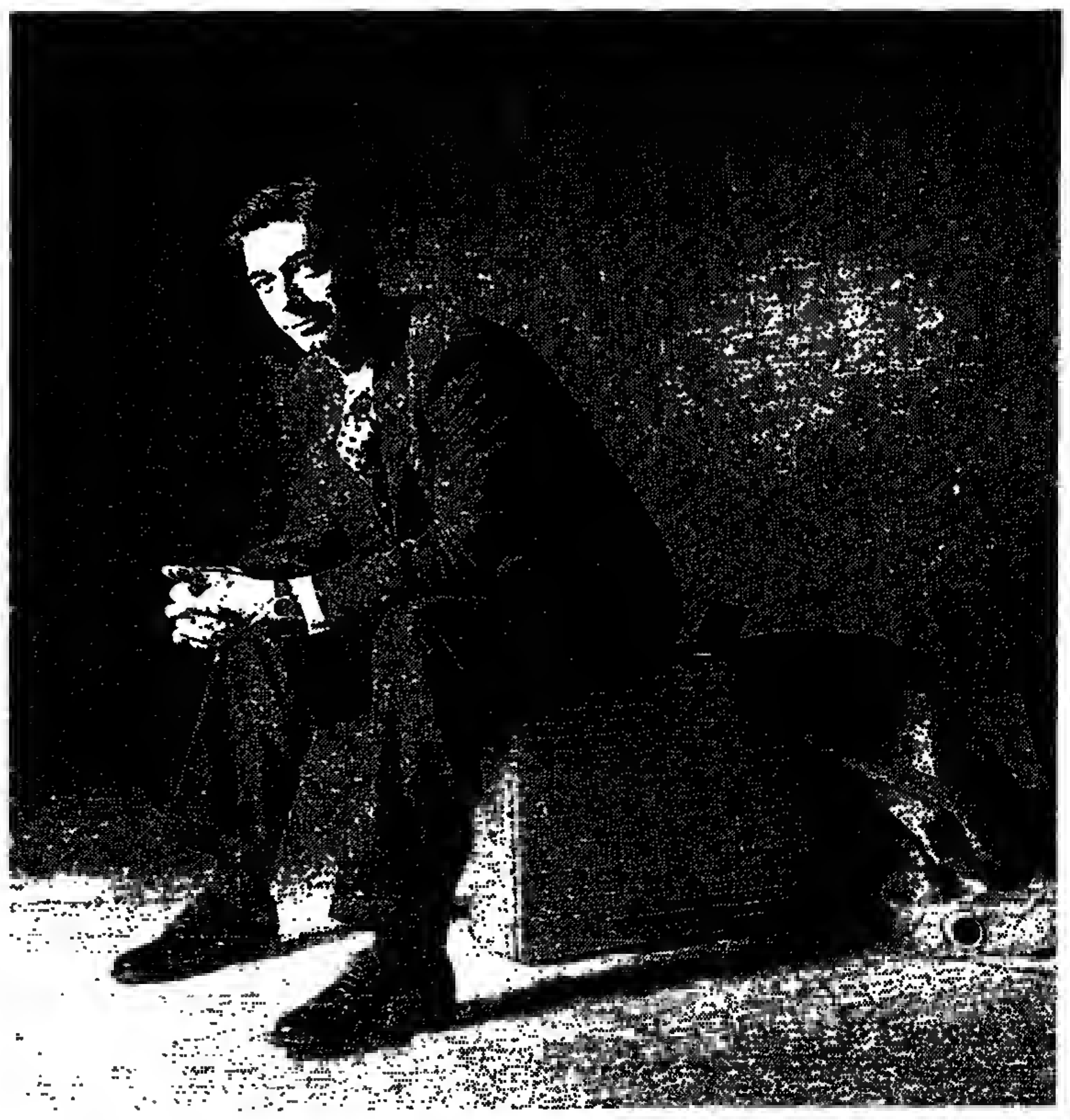

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Floating rate notes 1998

Notice is hereby given that for the interest period 9 November 1994 to 9 February 1995 the notes will carry an interest rate of 8.48125% per annum. Interest payable on 9 February 1995 will amount to ITL 108,372 per ITL 5,000,000 note and ITL 1,083,715 per ITL 50,000,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

NATIONAL BANK OF CANADA
US$ 250,000,000 Floating Rate Notes due 1999

In accordance with the Description of the Notes, notice is hereby given that for the Interest Period from November 8, 1994 to February 8, 1995 the Notes will carry an Interest Rate of 5.95% per annum. The Interest Amount payable on the relevant Interest Payment Date, February 8, 1995 will be US$ 152.06 per US$ 10,000 principal amount of Note and US$ 1,520.56 per US$ 100,000 principal amount of Note.

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As of October 31, 1994, the unconsolidated net asset value was USD 353,288,820.48, i.e. USD 851.43 per share of USD 200 par value.

The consolidated net asset value per share amounted as of October 31, 1994 to USD 887.82.

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INTERNATIONAL COMPANIES AND FINANCE

TNT back in the black but payout unlikely this year

By Nikki Tait in Sydney

TNT, the Australian transportation group, returned to the black in the first quarter of its current year with a profit of A$18.3m, compared with a loss of A$33.2m in the same period of the previous year.

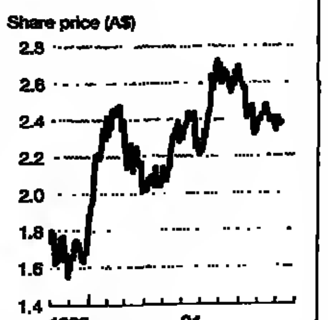
Sales were A$1.45bn, against A$1.4bn, and operating profit before abnormal items rose to A$34.4m from A$23.4m.

The release of first-quarter results coincided with the company's annual meeting in Sydney. Mr Fred Millar, chairman, told the meeting that in spite of the improvement in recent profits figures, he still thought it was unlikely that TNT would pay a dividend in the current year. However, be was "confident" that dividends would resume in 1995-96.

The chairman said Spain remained a problem area for the company, but other European interests generally had made good progress.

He also forecast a "significant improvement" at GD Express Worldwide, the company's express dellvery venture, which it owns jointly with various European and Canadian post offices, during the current period.

Mr Millar added that TNT was in "detailed discussions" with potential partners for logistics activities in China, Tbailand and Indonesia, although it did not expect davelopments ln tbese countries to move quickly.



Source: Datastream

Mr David Mortimer, chief executive, said there were no plans at present to float Ansett, tbe airline whicb is owned by TNT and Mr Rupert Murdoch's News Corporation. He added that TNT had not urged the Australian government to keep Air New Zealand out of the Australian internal market, and that it was not on the current agenda to bring a third party into Ansett.

The government's recent decision to freeze an agreement which would have allowed the New Zealand carrier to fly domestic Australian routes from November 1 bas caused a row between the two countries.

There has been speculation that the government is keen to see an alliance formed between Ansett and Air Zealand, thus extending Australia's domestic airline duopoly across the Tasman.

Date for Milan futures

Futures trading on Milan's new MIB-30 index should start in the week beginning November 28, Mr Enzo Berlanda, chairman of Consob, the stock market regulator said, Renter reports from Milan. The MIB-30, based on the existing BCI-30 index of leading shares, was launched on October 17.

Mr Berlanda said a full range of trading instruments would probably not be available before September 1995. He said there were also hitches in the movement of all shares to casb settlement because of liquidlty problems. "Now there are 240 [shares with cash settlement], but there are difficulties ln terms of liquidity," he said.

A total of 370 sbares, from 204 companies, are currently quoted on the Milan bourse.

Matif president happy to follow his own rules

Gérard Pfauwadel can see his legislation at work in the French futures market, reports Andrew Jack

Mr Gérard Pfauwadel, president of Matif, the French futures and options market, is in a potentially awkward position when it comes to assessing the legislation tbat frames bis work – be is tha man who wrote the rules.

Like many of his contemporaries, Pfauwadel has moved easily from the public to the private sector. However, unlike most of his fellow graduates of ENA, the elite French public administration college, be is now bound directly by the laws he drafted.

He can recall when the legislation was passed: "I remember It precisely – July 13 1985." He was then under-deputy secretary at tha Frencb Treasury.

And now that he can see the legislation in practice, would he change anything? "Not really," he says bluntly. "If it's not broken, don't fix it. It's clear the Matif is not broken. Why do we need to change something that is working extremely well?"

He points out that France will have to make a few modifications to its laws to align them with the requirements for free competition, under the European investment directive, by the start of 1996.

"Little needs to he changed. Our taxation system is good; our membership is adapted; we are not a closed shop," be says.

Mr Pfauwadel argues that civil servants were among those most closely involved in and entbusiastic about creating a deregulated market for the Frencb "big bang" in the late 1980s. "There would have been no growth in the market unless we were sure that the environment was adequate, with sensible taxation for profits and losses, for example," be says.

"We had another target in building the market," he says. "We wanted to modernise the financing of the Treasury. The deficits were starting to be huge and it was important to open the way for investors so it would be possible for tbe Treasury to issue more bonds. Public debt was almost exploding."

Matif was founded in 1986, using a structure distinctly different from its Anglo-Saxon counterparts. It is not an institutional exchange owned by its members, but rather a corporate entity.

Mr Pfauwadel says: "We were relatively late starting. Tbe best way to accelerate growth was the entrepreneurial ratber than tbe Anglo-Saxon co-operative approach."

He argues thet one reason for the rapid development of Matif has been the French education system. "We have the savoir-faire. People in France are very well trained in mathematics, whicb is essential for options. It is clear that tbe level of abstraction is pretty high." In coutrast, be says, London has focused more on futures, whicb he argues are "less complex" products with whicb to grapple.

Gérard Pfauwadel: 'If it's not broken, don't fix it'

Mr Pfauwadel says the creation of Matif was the first time that banks and brokers – traditional competitors – had agreed to join forces. They took a third of the shares each, with the remainder going to insurance companies as "arbitrators".

The Matif has proved very profitable, generating a surplus which helps guarantee all contracts written and fund new investment. Inevitably, there heve been calls for a broader ownership for the market.

This, he concedes, has come from brokers "who were not sufficiently involved in the equity at the time of the original discussions".

"It is e very fine-tuned balance. We need to keep a third of the shares with each of the three groups. We may have some evolution. But it needs to work well in the interests of everybody."

If Mr Pfauwadel sounds at times a little defensive, it is not because be is opposed to change. "Pragmatic" is a word that springs up often in his vocabulary.

Last month, Matif opened a market for its latest product: rapeseed futures contracts.

"It is becoming more and more difficult to innovate," he says. Ha believes that most currency lnstrumants for which there is a demand are already in place.

One result has been to focus on commodities – notably in agricultural products. "We are an agricultural country," he says. "Prices have been completely obscured by the Common Agricultural Policy, not determined by the market but by technocrats in Brussels. We need a market game [to develop futures]." Rapeseed has now been introdnced; wheat and others may follow.

Equally, Mr Pfauwadel says he is far from settled on the "open outcry" trading system, so fundamental to the exchange's current operations. "If we cannot innovate though products, another way is to give our members access to other products in other markets," he says.

This explains Matif's use of the Globex system linking it with other exchanges worldwide, and its recent hook-up with the Deutsche Terminbörse, its Frankfurt equivalent.

He sald he believed that if the Franco-German platform were snccessful, it would attract other continental markats. "The Dutch, Spaniards and Swiss have already expressed interest," he says.

The British, by contrast, have taken another approach. Matif approached Liffe before Frankfurt to suggest a trading link, hut it refused. "It wants a big market in the City [of London] to quote all European products," says Mr Pfauwadel.

"That is in conflict with our strategy to develop a domestic niche and link it to other centres. They are two distinct strategies. I have no idea which will win."

BHP considers Chinese site

By Nikki Tait

Broken Hill Proprietary, tbe Australian resources group, is to look into the commercial feasibility of developing an integrated power plant and open-cut coal mine near Hohhot, the provincial capital of the Chinese region of Inner Mongolia.

The company said yesterday that a letter of intent had been signed this week with Zhungeer Coal Industry Corporation, part of China's ministry of coal industry, permitting a pre-feasibility study. The study, which will determine the size and timing of the potential project, should be completed within 12 months, and will be undertaken by BHP Minerals and BHP Power.

The Chinese project is the second significant potential development announced in recent days by BHP Power, a newly-formed "fiftb leg" to BHP's business. Last week, the subsidiary said it had submitted a proposal to the Vietnamese government, seeking to conduct a feasibility study for a large integrated power and urea development.

Also included in the proposed project consortium were Japan's Tomen Corporation, General Electric of the US, and Canada's Cominco Fertiliser, although BHP would be the lead company.

Although the Australian company declined to speculate on the cost of tbe Vietnamese project, it bas been suggested it could be worth more tban US$800m, making it by far tbe biggest foreign investment in communist Vietnam. The largest project to date is a US$288m cement plant being built by Taiwan's Ching Fong group.

Tbe Vietnamese project could include a "world-scale" urea fertiliser plant, producing around 600,000 tonnes per annum, whicb would be integrated with a 680MW power station, using gas turbine combined cycle technology.

The project would rely on natural gas, from gas reserves recently discovered off tbe south Vietnamese coast.

Reliance merges businesses

By Shiraz Sidhva in New Delhi

Reliance Industries (RIL), India's largest private sector company, yesterday consolidated its place as a leader in the plastics market by merging with two of its associates, Reliance Polypropylene Limited (RPPL) and Reliance Polyethylene Limited (RPEL).

The directors of the three companies met in Bombay yesterday to finalise the amalgamation, which will come into effect from January 1 1995.

Shareholders of RPPL and RPEL will get 30 and 25 RIL shares respectively per 100 shares, based on two independent valuations. Itochu Corporation of Japan, which helped Reliance set up separate plants for the two companies in 1992, will continue to be an investor in RIL and maintain its earlier agreements for export marketing rights.

Reliance said it would now have the banefit of aquity-funded projects with a short gestation period, without adding to its existing debt profile. RIL's weighted avarage equity will now increase to about Rs3.63bn ($115.5m) from Rs3.36bn as of March 31 1995, and the company's reserves will swell by over Rs6bn.

Reliance is building a polypropylene plant, with a technology licence from Union Carbide of the US. It is due to be commissioned by the end of next year and will have an annual capacity of 250,000 tonnes.

It is also building a polyethylene plant with a technology licence from Du Pont Canada. The facility is expected to be commissioned by early 1996, and will have a capacity of 200,000 tonnes.

With these two plants added to RIL's manufacturing capacity, the company will be India's largest producer of both petrochemical products. The company said the commissioning of the plants had been timed to coincide with the start-up of the world's largest multi-feed cracker project, being built in Hazira in Gujarat.

CONTRACTS & TENDERS

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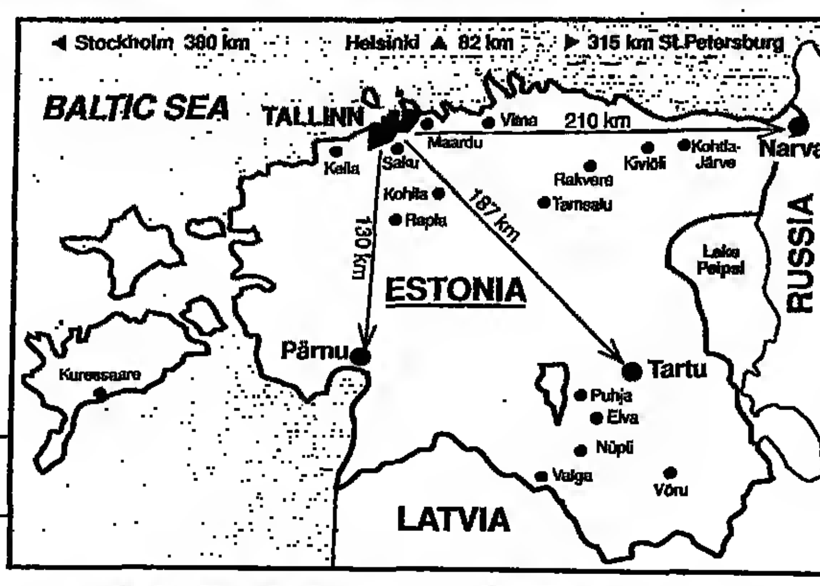
ESTONIA

Closing date: December 22, 1994

International Tender for the sale of

INDUSTRIAL ENTERPRISES

by the Estonian Privatization Agency



Enterprise number, name (in brackets: preferred % of share bids), location *(in brackets: type of business [capacity/year if available], [turnover of the first halfyear of 1994 in EKK (Estonian Kroons) if available]/number of employees half year 1994)*

TRANSPORTATION

(EE-442) RAS Saku Autobaas (76 %)
EE3400 Saku
(International transportation and forwarding [47 Western trucks], [100 % international], [19,2 million EEK]/95)

(EE-449) RAS Tallinna Toiduveod (76 %)
EE0014 Tallinn
(Food distribution, transportation and forwarding [25 % international], [7,2 million EEK]/335)

(EE-450) RAS Tartu Autoveod (76 %)
EE2400 Tartu
(Transportation and forwarding [33 Western trucks[, [55 % international], [27,3 million EEK]/514[

(EE-451) RAS Saaremaa Autobaas (100 %)
EE3300 Kuressaare
(Passenger transport by busses and taxis, bus rental, transportation of goods [15 % international], [8,7 million EEK]/277)

(EE-454) RAS Võru Autobaas (100 %)
EE2710 Võru
(Passenger transport by busses and taxis, bus rental, transportation of goods [25 % international], [8,4 million EEK]/278[

(EE-521) RAS Kohtla-Järve Autobaas (100 %)
EE2020 Kohtla-Järve
(Transportation [30 % international], [4,1 million EEK]/155[

FOOD INDUSTRY

(EE-42) RE Narva Lihatööstus, future RAS (76 %)
EE2000 Narva
(Meat and meat products [1,000 tons[, [23,2 million EEK]/143)

(EE-76) RAS Keile Terko (76 %)
EE3053 Keila
(Wheat flour [160,000 tons[, grits [64,000 tons[, concentrated fodder [120,000 tons], [56 million EEK]/260[

(EE-89) RE Tallinna Külmhoone, future RAS (76 %)
EE0014 Tallinn
(Cold storage of meat and milk products, ice-cream production [19,1 million EEK]/250)

(EE-90) RE Tartu Külmhoone, future RAS (51 %)
EE2400 Tartu
(Cold storage of milk, meat and juices [4,113 sqm refrigerated area[, [55,6 million EEK]/137)

(EE-513) Plant Kohtla-Järve Kasvuhooned
EE2020 Kohtla-Järve
(Heated greenhouses [6 hectares]/40)

CONSTRUCTION

(EE-203) RAS Eesti Energeetikachitus (100 %)
EE2000 Narva
(Construction of dwelling houses, office buildings, sports facilities, bridges, tunnels, sewerage networks [7,8 million EEK]/208[

(EE-207) RAS Eesti Elektrimontaaz (100 %)
EE2000 Narva
(Electrical assembly work [2 million EEK]/103)

(EE-338) RAS STET (76 %)
EE0013 Tallinn
(Road construction in Siberia [41,8 million EEK]/353)

METAL WORKING INDUSTRY

(EE-134) Rented out assets of Pärnu Masinatehas
EE3600 Pärnu
(Refrigeration installations, ovens, centrifuges, cutting and dosing devices for machine tools/244)

(EE-295) RAS Tamsalu EPT (76 %)
EE2300 Tamsalu
(Dewatering and amelioration equipment for forestry, wooden products [7 million EKK]/199)

(EE-404) RE Kohila Eksperimentaalne Remondi- ja Mehaanikatehas
EE3420 Kohila
(Road construction machinery, road graders/156)

(EE-432) RAS Pärnu EPT (100 %)
EE3600 Pärnu
(Metal- and woodworks, peat production [50,000 cbm), [4,2 million EKK]/107)

(EE-434) RAS Elva Põllumajandustehnika (100 %)
EE2442 Elva
(Metal- and woodworks, peat production [100,000 cbm], [3,7 million EKK]/146)

(EE-590) RAS Valga Külmutusvagunite Depoo (100 %)
EE2500 Valga
(Maintenance and repairs of refrigerated railroad cars [37 million EKK]/1199)

HOTELS

(EE-282) RAS Hotell Stroomi (76 %)
EE0003 Tallinn
(Hotel [224 beds], [3,8 million EEK]/83[

(EE-290) RAS Hotell Tallinn (51 %)
EE0003 Tallinn
(Hotel [170 beds[, [2,1 million EEK]/131)

(EE-294) Viitna Puhkemaja (assets)
EE2128 Viitna
(Vacation centre [94 beds], [0,12 million EEK]/10)

(EE-594) Kaga Puhkemaja (assets)
EE2513 Nüpli
(Vacation centre [35 beds]/2)

WHOLESALE AND RETAIL

(EE-249) OÜ Tartu Hulgikaubanduse Keskus (100 %)
EE2400 Tartu
(Wholesale of textiles, footwear, foodstuff, paints, metals and metal ores, construction materials, household goods [4 million EEK]/41)

(EE-255) RAS Esmeta (51 %)
EE0036 Tallinn
(Metal trading [69,4 million EEK]/177)

(EE-262) RAS Metsakaubandus (76 %)
EE0103 Maardu
(Wholesale of paper and paper products [6,7 million EEK]/35)

(EE-275) RdE Narva Hulgikaubandusbaas
EE2000 Narva
(Wholesale of textiles, footwear, construction materials, household goods, furniture, paper [0,4 million EEK]/5)

(EE-433) RAS Varteko (100 %)
EE3600 Pärnu
(Retail and wholesale of agricultural machines and spare parts, construction materials and household goods [6,7 million EEK]/43)

(EE-563) RAS Võru Agrovarustus (100 %)
EE2710 Võru
(Retail and wholesale of agricultural machines and spare parts [3,3 million EEK]/34)

(EE-607) Maardu Warehouses Holding, future RAS (51 %)
EE0030 Tallinn
consisting of OÜ MAR1: (Software consultations, data processing, data bases, maintenance and repairs of hardware [0,9 million EEK]/39); RAS KOMMER: (Wholesale and retail of chemicals [27,3 million EEK]/136[; RAS MASINAKAUBANDUS: (Wholesale and retail of machinery, installations and spare parts [8,6 million EEK]/47); RAS ELEKTRIKAUBANDUS: (Wholesale and retail of electrical and electronic products [9,1 million EEK]/96)

OTHERS

(EE-28) RAS Estoplast(100 %)
EE0107 Tallinn
(Production of lamps [240,000 pcs], [8 million EEK]/277)

(EE-111) RAS Sangla (51 %)
EE2466 Puhja
(Agricultural peat [10,000 tons[, peat briquet [50,000 tons[, pressed peat [10,000 tons], [6,7 million EEK]/274[

(EE-131) Basketball factory (assets only)
EE0104 Tallinn
(Production of basketballs [1 million balls]/0)

(EE-136) RAS Tarkon (100 %)
EE2400 Tartu
(Measuring devices for airplanes and airports, electrical measuring devices, components for radios and TV-sets [8,8 million EEK]/750)

(EE-170) RAS Walko (51 %)
EE2500 Valga
(Mens and womens wear, childrens clothes, uniforms, working clothes and sportswear, clothes of artificial fur, underwear [7,7 million EEK]/675)

(EE-311) RAS Eesti Maaehitusprojekt (100 %)
EE0105 Tallinn
(Engineering, designing [1,6 million EEK]/105[

(EE-493) RE Tartu Proteesitehas
EE2400 Tartu
(Appliances for handicapped, orthopaedical footwear [2,3 million EEK]/51)

(EE-585) RdE Trükikoda Oktoober
EE0010 Tallinn
(Printing, Publishing [2,8 million EEK]/88)

(EE-540) Washing powder plant of RAS Eesti Kiviõli
EE2040 Kiviõli
(Synthetic washing powder [39,250 tons[, [5,7 million EEK]/72)

(EE-996) Formalin plant of RAS Eesti Kiviõli
EE2040 Kiviõli
(Production of 37 %-formalin [120,000 tons[, [20,8 million EEK]/117)

(EE-500) RAS Eesti Näitused (51 %)
EE0103 Tallinn
(Exhibition centre [7,905 sqm exhibition area[, [6,86 million EEK]/26[

Tender Conditions

1. In accordance with its legal mandate, Eesti Erastamisagentuur (Estonian Privatization Agency "EPA") intends to sell the aforementioned enterprises by means of a tender in the following manner:
   a) bids for a state owned joint stock company (organized presently or in future as RAS or OÜ), should be for the majority of the shares of the companies as indicated; EPA prefers to reserve a minority part for the future offering to the public;
   b) bids for a state owned enterprise (organized as RE), state owned assets or plants should be for its total operations;
   c) bids for state owned assets that are rented out or leasehold enterprises (organized as RdE) should be for total assets, including the respective rental agreement(s):
   d) it is permitted to make bids for plants or parts of enterprises. Bids for a plant or parts of an enterprise must be for the assets of a separable unit, with inventory finally to be valued as at the time of acquisition (e. g. buildings, rental agreement, equipment and inventory).
2. The tender is public and anyone may bid. Legal entities in which the State of the Republic of Estonia or the Municipalities of the State of Estonia or their enterprises own one third or more of the sharecapital or of the voting rights may not bid.
3. In deciding among the bids, EPA will take into consideration, among other things, the bid price, promises to maintain or create jobs, pledges to invest, and the business plan submitted, each of which will be considered part of the bid. Upon signing a contract, the successful bidder will be requested to post a bond to guarantee these pledges.
4. Interested parties can obtain enterprise and plant profiles without charge from EPA. EPA is not responsible for the accuracy and completeness of this information. Prospective bidders will receive written authorization from EPA to visit the enterprises or plants on the basis of which additional information will be provided by the enterprise or plant management.
5. Bids must be in writing and should be submitted in a sealed envelope marked only with the name of the enterprise or plant for which the bid is submitted.
6. Bids must be received at EPA, Rävala pst. 6, EE0105 Tallinn, Estonia, no later than 2:00 p. m. (local time), on December 22, 1994 (the "closing date"). Bids will thereafter be opened immediately. Bids must be denominated in Estonian Kroon (EEK) or Deutsche Mark (DM), and shall remain valid for one hundred and twenty (120) days after the closing date.
7. Bids must be accompanied by a bond of five (5) percent of the bid value in the form of an irrevocable bank guarantee valid for one hundred and twenty (120) days after the closing date The bid bond must be payable on first demand and will be forfeited if the bidder either fails to hold its bid open for the required period or refuses to sign a contract in accordance with its bid.
8. EPA will decide on the bids within one hundred and twenty (120) days after the closing date; bidders may explain their bid within a period set by EPA. EPA is entitled to accept a bid other than that with the highest purchase price or may reject any of the bids at any time.
9. It is possible to pay up to 50 % of the Purchase Price in privatization securities upon the application of the Purchaser in compliance with the conditions established by the Board of Directors of the EPA
10. The privatization of the tendered enterprises will be carried out according to applicable Estonian law.

EPA (Estonian Privatization Agency)
Väino Sarnet, General Director — Dr. H. ２. Schmidt, Chief Consultant

Office hours for the EPA are Monday through Friday from 9 a.m. until 4 p.m. (local time).

For further information (enterprise profile, data on Estonia, visit authorization) please contact:

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هكذا من الأصل

INTERNATIONAL COMPANIES AND FINANCE

Westpac profits advance sharply

By Nikki Tait in Sydney

Westpac yesterday began the Australian banks' reporting season by announcing an after-tax profit of A$704.7m (US$533.8m) in the 12 months to end-September, up from A$39.2m the previous year and a A$1.56bn loss in 1991-92.

The profit figure translated into earnings per share of 35 cents, on a diluted basis, compared with 1 cent previously. The final unfranked dividend was set at 10 cents a share, compared with 6 cents, making a total for the year of 18 cents.

The bank attributed the substantial improvement to higher net interest income, cost reductions, improvements in the efficiency ratio and a significant reduction in both the bad debt charge and the size of its impaired loan portfolio.

Net interest income for the year stood at A$2.76bn, compared with A$2.63bn, while non-interest expenses fell to A$2.56bn from A$2.92bn.

The charge for bad and doubtful debts was almost halved to A$694.9m from A$1.29bn in 1992-93. Westpac also said that the ratio of net impaired assets to shareholders' equity stood at 30 per cent by end-September, compared with 65 per cent a year earlier.

The general provision for doubtful debts at year-end was A$735m (A$700m) – including a A$35m provision for drought-related problems - while specific provisions stood at A$1.61bn (A$1.98bn).

The group's tier one capital ratio at year-end was 8.9 per cent, compared with 7.4 per cent previously.

The bank said it hed moved from "a recovery phase to one striving for improved performance and growth".

Its main focus in the current year would be on implementing a retail branch restructuring programme, further reduction in impaired assets, new product development and additional efficiencies. It said that it was budgeting for further profits growth – with some analysts suggesting it could make between A$1bn and A$1.1bn.

Man from Wells Fargo hopes to set stage for growth

Mr Bob Joss, the former Wells Fargo executive imported from the US two years ago to sort out the turmoil at Westpac, the most troubled of Australia'a big banks, was asked yesterday whether he had succeeded in changing the company'a culture.

"No, not by any stretch of the imagination," he replied, bluntly. Mr Joss added that while he "feels good" about the start that has been made, his experience and observations of other companies suggested that this would be a decade-long process.

Shareholders, who sat through Westpac's miserable performance in the early 1990s and are still seeing dividends at one-third of 1990 levels, may be getting worried. Fortunately, Westpac's financial performance showed a significant improvement yesterday, even if internal changes are taking longer to effect.

The bottom-line profit figure of A$704.7m was below tha more ambitious market forecasts, causing the shares to dip 7 cents to A$4.29. But analysts came away from yesterday's afternoon's briefing suggesting that this may heve been harsh. The shortfall on expectations, they said, could be explained by unforeseen items: the provision for drought-related loan problems, and a A$66.3m charge before tax related to the pre-payment of superannuation expenses, which compared with a A$296.1m surplus in the previous year. In future, the bank proposes to adopt UK accounting practice – at least, until an appropriate Australian standard is agreed – which should remove this volatility.

The analysts' main focus was on three issues: Westpac'a problem loan experience, its net interest margin, and its progress in achieving cost/efficiency gains.

On the first, the picture looked a lot brighter than in previous years, with total impaired assets falling to A$3.8bn by end-September from A$8bn in 1992 and A$6.6bn in 1993. That meant that the ratio of impaired assets to total loans and acceptances stood at about 5 per cent, half the level two years ago. "The key is problem assets," said one analyst at ANZ McCaughan, "and Westpac is getting itself into shape."

However, Mr Joss is the first to admit that more needs to be done. The ratio, he commented yesterday, "has got to get lower", and he indicated a 1 to 2 per cent target range as a sign of "a really healthy bank". Although net proceeds from property disposals were about A$1.6bn last year, Westpac says it still has about A$1bn worth of property to be sold.

Bob Joss: "feels good" abont the start that has been made

The net interest margin improved by 50 basis points to 3.5 per cent in the year. Westpac said that the reduced cost of funding impaired assets, as these fell, accountad for an improvement nf 30 basis points.

The spread on productive overseas assets rose by a similar amount, as the bank cut back overseas operations, exited lower yielding corporate facilities, and focused on "core Australasian customer relations".

The cost improvement was seen as slightly sluggish in the second half, with branch restructuring taking a little longer than expected to implement. Average staff numbers in the second half were 31,681, compared with more than 45,000 in 1990. Mr Joss says that staff numbers will fall again in the current year, but at a slower rate than in previous years.

The ratio of non-interest expenses to income has reached 59.5 per cent overall, compared with 65.5 per cent previously.

In spite of yesterday's profit news, the jury is still out on the management changes at Westpac. Mr Joss has brought in a host of new senior executives – in many cases, from outside Australia – and some think that the objectivity which flows from this strategy compares favourably with the less radical approach by rivals.

But not everyone is giving the high-profile chief executive, whose US-style remuneration package and management approach has caused much local comment, all the credit for recent financial improvements. "That's a little bit too favourable towards Joss. He's benefiting, but it's really external changes like the improvement in the property market and so on," was one less generous comment yesterday.

Nikki Tait

Aiwa ahead at Y4.6bn after six months

By Michiyo Nakamoto in Tokyo

Aiwa, the maker of audio and visual equipment, yesterday announced a near-doubling of recurring profits – before extraordinary items and tax – in spite of Japan's sluggish market and the impact of a high yen.

Non-consolidated recurring profits in the six months to September rise to Y4.6bn ($47.27m) from Y2.3bn a year ago as sales rose 35 per cent to Y110.2bn from Y81.7bn.

Net profit in the period surged 166 per cent to Y2.1bn from Y797m. Aiwa expects to pay a dividend of Y5, up from Y3 in the previous first half.

Among Japan's troubled audio-visual companies, Aiwa, a subsidiary of Sony, stands out as a success story.

For several years the company has raised its overseas manufacturing ratio to 81 per cent – a strategy which has helped it overcome the adverse impact of the high yen.

Aiwa's rapid response to the impact of a high yen has enabled it to raise profits in spite of a high overseas sales ratio of 78 per cent.

It has launched a series of innovative products, particularly small stereo units, at low prices which have been a success at home and abroad. As a result, its domestic sales rose 17 per cent in spite of the continuing sluggishness of the market, while overseas sales grew 41 per cent.

Sales of audio equipment rose 27 per cent on popular demand for its miniature component stereo sets. Video sales surged 71 per cent due to the strength of TVs which incorporate a video tape recorder and of video recorders which offer simple functions.

Aiwa is expanding its information equipment business, and strong sales of PC modems helped the division's sales rise by 75 per cent.

The company forecasts full-year sales of Y229bn against Y178.7bn last year and recurring profits to climb to Y9bn compared with Y6.7bn. Net profits are forecast at Y4bn, up from Y2.4bn.

Hard times for Japan's two biggest watchmakers

By William Dawkins in Tokyo

Interim results to September 1994 (Ybn)

	Sales	Recurring profit*	Net profit
Citizen Watch			
1994	96.2	2.455	1.632
1993	124.2	6.290	4.243
Est for year	205.0	6.000	3.300
Seiko			
1994	108.7	-1.018	-1.010
1993	121.8	-3.208	-3.200
Est for year	219.0	-	-

* before extraordinary items and tax. Source: company reports

Japan's watchmaking industry is still in the grip of hard times, according to the latest interim results from Seiko and Citizen Watch, the two leading producers.

Both companies suffered from the erosion of the yen value of their export income, because of the strength of the Japanese currency and the price sensitivity of their high-volume products. They provide an example of how exporters of low-margin products have found it hard to adjust to the yen's rise.

The two groups have tried to diversify by making small computers, but heve met fierce competition in the sector.

The result was a loss for Seiko and a sharp decline in profits for Citizen at the parent company level for the six months to September.

Seiko yesterday passed its interim dividend after reporting a reduced interim loss of nearly Y1.02bn (US$10.4m), on sales down 10.8 per cent at Y108.7bn.

The economic outlook is so uncertain that Seiko was unable to make a forecast for the full year.

It warned, however, that it was under pressure in the current half from the yen's volatility and a slow recovery in personal spending.

Seiko announced late last year that it would reduce costs substantially by ending production of personal computers for overseas markets, a factor in its reduced interim loss.

Citizen fared slightly better, with a 61 per cent decline in recurring profits – before extraordinary items and tax – to Y2.4bn, on sales down by 22.5 per cent to Y96.2bn.

It will pay a maintained interim dividend of Y4.5 per share, but forecasts that full year current profits will fall by 43 per cent to Y6bn.

Sales of watches, which account for more than half of Citizens' turnover, fell by 11.2 per cent.

Like Seiko, the strength of the Japanese currency eroded the yen value of its export sales, which account for just over 70 per cent of total turnover.

However, Citizen's computer products did even worse than its core watchmaking business, with sales down 46 per cent.

The company also suffered from the cancellation of an order to make notabook computers for computer producers to sell under their own names.

Restructuring helps Omron to rise 42%

By Gerard Baker in Tokyo

Extensive restructuring enabled Omron, one of the largest makers of automation control components, to post sharply increased profits on slightly higher turnover in the six months to September 30.

Recurring profits – before tax and extraordinary items – rose by 42 per cent on the same period a year ago to Y3.1bn ($31.85m), while sales grew by 1.4 per cent to Y176.2bn. After tax earnings increased by 38.2 per cent to Y1.9bn.

The company said domestic demand remained very weak, and that the increase in turnover was produced largely by higher exports. Competitive cost-cutting and strong growth in overseas marketa had helped to overcoma the effects of the strong yen.

Among the company's main divisions, only electronic fund transfer systems saw substantially higher growth in the period – up 13 per cent – as demand for bank automation systems remained strong.

The core control components and systems division achieved a small gain in turnover on higher exports.

Restructuring would continue in the remainder of the financial year ending next March, the company said, and would include development of new businesses and products and the establishment of a regional headquarters in China in an attempt to expand business there.

Omron forecast annual recurring profits of Y8.5bn, up by 13 per cent on last year, with turnover higher by 2 per cent at Y378bn.

Qantas regains right to fly direct to China

Qantas, the Australian flagship carrier in which British Airways has a 25 per cent stake, has won back the rights to fly direct to China from Australia. At present, the only carriar offering this service is Air China, with other carriers flying via Hong Kong, writes Nikki Tait.

Qantas held the rights previously, and operated a service during the 1980s. However, this was abandoned in 1987, on the grounds that it was unprofitable. The rights were then won by Australia Air, a new carrier which tried to raise the necessary capital to begin operations last year but was eventually unsuccessful.

The International Air Services Commission, which allocates routes, said it expected Qantas to operate one Boeing 767-300 service a week.

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November 9, 1994, London
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

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INTERNATIONAL CAPITAL MARKETS

Treasuries edge higher in light trading

By Lisa Bransten in New York and Conner Middelmann in London

US Treasury prices edged higher in light trading yesterday morning as traders awaited news from US elections and a producer price report due on Thursday.

By midday, the benchmark 30-year government bond was up $\frac{7}{32}$ at $92\frac{23}{32}$, yielding 8.141 per cent. At the short end the two-year note was up $\frac{1}{32}$ at $99\frac{11}{16}$, to yield 7.028 per cent.

Also overshadowing markets was the increase in interest rates that many expect from next Tuesday's meeting of the Federal Reserve's open market committee.

Traders positioned themselves ahead of the afternoon sale of $12bn in three-year notes, and the modest firming of prices towards the 1pm auction suggested that they expected solid demand for the issue.

Most analysts expect s 0.1 per cent rise in the producer price index for October. A bigger increase could burt bonds by triggering fears of a large or early interest rate increase.

GOVERNMENT BONDS

The market kept a watch on the slections but with littls consensus on their impact on bonds.

Mr Robert Brusca, chief economist at Nikko Securities in New York, said the markets could be buoyed if Republicans make significant gains in both houses of the legislature.

■ European government bonds ended another calm session slightly firmer, supported by buoyant German bunds and firmer US Treasuries.

However, volume has dwindled sharply and traders said investor flows were few and far between. "A lot of people have in effect shut their books for ths year," said one analyst.

■ German bunds recouped early losses to end nearly ½ point higher, underpinned by firm demand for tbe first tranchs of tbe government's latest 10-year issue.

Although demand for the paper was said to be subdued, dealers reported keen interest from several banks, some of which were buying bonds to cover short positions they had established prior to the sale.

The Bundesbank sllotted DM3bn of the 7.5 per cent paper to the federal bond consortium at 99.75, yielding 7.54 per cent. A further DM3bn to DM4bn of the bonds are expected to be sold at today's auction; together with the Bundesbank's market tending allotment, the issue is expected to total DM10bn.

Earlier in tbe day, bunds were depressed by news of a larger than expected drop in the October jobless rate, but shrugged off a small upward revision in the September M3 money supply growth rate. The December bund future on DTB closed at 89.41, up 0.41.

■ UK gilts rose on the back of firmer European and US bonds, with little in the way of news or capital flows to drive prices.

"Until the FOMC meeting [on November 15], it's likely to remain pretty trendless," said one dealer. After that, market participants will turn their attention to the Budget on November 29. "We often bave a slight bull run up to the Budget because everyone bopes they'll do the right thing," he added.

Tbe Decsmber long gilt futures contract rose by $\frac{13}{32}$ to $101\frac{5}{32}$.

■ Swedish bonds clawed back some of tbeir recent sbarp losses, witb the yield on the 11-year benchmark falling by 8 basis points to 11.57 per cent. However, the market is likely to remain jittery and volatile ahead of Sunday's referendum on European Union membsrship.

Strong demand for £200m deal from EIB

By Graham Bowley

The European Investment Bank yesterday launched a £200m issue of six-year fixed-rate bonds priced to yield 15 basis points over UK gilts.

Lead managers HSBC Markets and Warburg Securities were surprised by the strength of demand from Asia Pacific investors. Interest also came from European central banks and European retail and institutional investors, they said.

INTERNATIONAL BONDS

The issue brings the total raised by the EIB this year directly in the sterling market to £900m. The proceeds were not swapped out of sterling.

The World Bank's Y200bn 10-year global offer, which was launched on Tuesday, was priced yesterday at 10 basis points over the Japanese government bond No 172.

In spite of early concern that the issue would fail to attract interest from investors outside Japan, much of the offering was successfully placed yesterday with investors in Europe and the US, lead managers Merrill Lyncb, Nikko and Nomura reported.

About 30 per cent of tbe bonds were placed in Europe, 50 per cent in Japan, 10 per cent in the rest of Asia and 10 per cent in the US, they said.

A syndicate official at Nomura said the bank had sold Y25bn of its Y40bn ticket to European investors. Sixty per cent of tbis trads was accounted for by investors switching out of existing similar 10-year yen-denominated bonds, while the remaining 40 per cent were outright sales, be said.

Only about Y6bn of bonds had been returned to the lead managers, an official at Nikko said. The proceeds from the offer, which is likely to be the World Bank's last yen issue this year, were not swapped out of yen, s source close to the deal said.

In the Canadian dollar sector, Bell Canada, the country's largest telecommunication company, launched a C$150m issue of five-year bonds with a spread of 36 basis points over Canadian government bonds.

Joint lead manager Wood Gundy said demand for Canadian dollar bonds with a five-year meturity was strong and there was a good response to the issue, mainly from retail investors in Europe.

The proceeds from the offer, the first time Bell Canada has tapped the euromarkets since July 1993, were not swapped, s source said.

In the Australian dollar sector, Coca-Cola Amatil launched a A$75m issue of five-year bonds whicb found demand among retail investors in Europe and Asla Pacific, lead manager Hambros Bank said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
ESI S.A.‡	250	(a)	99.68R	Jul.1999	0.20R	-	CS First Boston
YEN							
Nordic Investment Bank	10bn	5.70	100	Dec.2004	Undisc	-	Bk. of Tokyo Cap. Mkts.
STERLING							
European Investment Bank	200	8.75	98.833R	Dec.2000	0.275R	+15 (8%-00)	HSBC Mkts./ S.G.Warburg
CANADIAN DOLLARS							
Bell Canada	150	8.375	100.075R	Dec.1999	0.30R	+36 (7¼%-99)	Wood Gundy
SNCF	100	8.25	99.812R	Dec.2001	0.30R	+15 (b)	BZW
AUSTRALIAN DOLLARS							
KFW Intl. Finance	150	10.50	101.78	Dec.1999	2.00	+6 (12%-99)	Deutsche Bank AG
Coca-Cola Amatil	75	10.75	101.775	Dec.1999	2.00	-	Hambros Bank
GUILDERS							
Energie Beheer Nederland	250	7.375	98.625R	Dec.1999	0.25R	-	ABN Amro
DSL	200	7.75	99.40R	Dec.2002	0.30R	+25 (8¼%-02)	Rabobank
SWISS FRANCS							
OKA	100	5.625	102.30	Nov.1998	-	-	SBC

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Pays 3 month Libor +10bp. b) Over interpolated yield.

Creditanstalt Investment Bank rises in the east

Austria's second largest bank has made a successful strategic thrust, says Ian Rodger

There has been considerable sympathy in European financial circles for the plight of Creditanstalt.

Austria's second largest bank has been largely paralysed for the past three years because the country's government has repeatedly failed to carry through its promise to complete its privatisation.

However, the one area wbere CA has nevertheless been able to make a significant and successful strategic thrust during this uncertain period is in eastern Europe.

The bank itself has opened branches or commercial banking subsidiaries in Prague, Budapest, Warsaw and Ljubljana.

Meanwhile, a fledgling subsidiary, Creditanstalt Investment Bank, has pushed its way to the top of the league tables alongside the large US and Britisb investment banks in many eastern European investment banking markets.

Indeed, CAIB ranks well ahead of its rivals in a listing of 1993 privatisation assignments in eastern Europe by the newsletter Privatisation International, with 30 jobs compared with only 20 for Samuel Montagu, its nearest competitor.

That this has happened is all a bit of an accident. CA Investment Bank was created in 1989 to focus on Austrian clients. At the time, Austria still operated witb s house bank tradition under which it was impossible for a bank to cbarge its large corporate clients for advisory services.

"We wanted to get them used to paying for M&A [merger and acquisition] services," Mr Wolfgang Lafite, CAIB managing director, says. The bank was capitalised at a mere Sch10m and sent on its way.

However, after the Iron Curtain lifted, it became apparent that there was a great need for corporate finance services in many of the eastern European countries and a wide open field for thoss who could provide them.

"We went systematically into all the countries where we thought Austria and Creditanstalt could play a role," Mr Lafite says. In general, that meant all the former countries of the Austro-Hungarian smpire whsre ties of language and business custom could be levered.

Today, CAIB has offices in Bndapsst, Prague, Warsaw, Bratislava and Sofia and has just opened in Bucharest. Its range of activities has expanded from corporate finance to securities business and private banking.

CAIB's first major assignment in 1989 was a private placement for Graboplast, the Hungarian plastics gronp which went public earlier this year. The bank has gone on to become the largest issuing house and broker on the volatile Budapest market.

Its other coup was to plunge into the radical mass privatisation programme in what was then Czechoslovakia in mid-1992. It was the only foreign bank to set up a voucher investment fund to help Czech citizens channel their stakes in the first round of privatisation of some 1,500 companies, and its fund is still the sixth largest in the Czech Republic.

"No other foreign bank was so optimistic, and that gives us a very profitable business, plus a platform for our securities and corporate finance businesses," says Mr Lafite.

Largely because of its experience in the Czech Republic, CAIB is the only foreign bank leading one of the 17 consortia that are on the short-list of Poland's forthcoming mass privatisation programme.

Now it is eyeing Bulgaria and Romania. Last year, it advised Amylum, a US-UK-Belgian consortium that bought a $20m maize products plant at Razgrad in Bulgaria.

"Mass privatisation programmes are bound to happen," says Mr Lafite, although he expects they will follow the Russian model with an explosion of secondary market activity following free distributions of shares.

The bank has made profits every year since its foundation, and half of its present Sch110m cspital comes from retained earnings.

Mr Lafite says the bank has been careful to be aware of its limitations. It has eschewed Moscow, for example, where CS First Boston made a killing last year, feeling that it has no special leverage there.

CAIB has neither the skills nor the capital to compete with the big US and UK banks on the few very large deals that come along.

Instead, the bank points out to the large numbers of small and medium-sized eastern European companies that it is their neighbour and is exclusively committed to their region.

There is, of course, a danger in this. As Mr Lafite says: "We have all our eggs in this basket. If the clock is ever turned back . . . ."

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	89.7200	-	10.71	10.53	10.10
Belgium		7.750	10/04	95.5600	+0.370	8.42	8.49	9.44
Canada *		8.500	06/04	82.9000	+0.100	9.23	9.17	8.90
Denmark		7.000	12/04	86.8200	-0.130	9.04	8.99	8.95
France	BTAN	8.000	06/98	101.1250	-0.130	7.58	7.55	7.48
	OAT	5.500	04/04	82.2400	+0.100	8.28	8.28	9.10
Germany Treu		7.500	09/04	99.2200	+0.330	7.61	7.60	7.56
Italy		8.500	08/04	81.2300	+1.020	11.79†	11.73	11.87
Japan	No 119	4.800	06/99	102.7370	-	4.10	4.06	4.14
Japan	No 164	4.100	12/03	95.8360	-0.090	4.78	4.73	4.75
Netherlands		7.250	10/04	97.2400	+0.160	7.65	7.60	7.52
Spain		8.000	05/04	80.9000	+0.050	11.36	11.25	11.08
UK Gilts		8.000	06/99	90-02	+2/32	8.56	8.55	8.51
		8.750	11/04	87-04	+8/32	8.69	8.64	8.66
		8.000	10/08	102-23	+9/32	8.66	8.61	8.67
US Treasury *		7.250	08/04	94-28	+4/32	8.01	7.89	7.61
		7.500	11/24	92-25	+6/32	8.15	8.05	7.83
ECU (French Govt)		8.000	04/04	83.1600	-0.010	8.68	8.68	8.59

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	4.79	Two year	7.06
Prime rate	7¾	Two month	5.65	Three year	7.33
Broker loan rate	6½	Three month	5.40	Five year	7.73
Fed.funds	4⅝	Six month	5.93	10-year	8.03
Fed.funds at intervention	-	One year	6.38	30-year	8.18

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	110-02	110.08	-0.12	110.24	109.76	128,151	130,669
Mar	109.20	109.24	-0.12	109.36	108.88	1,361	12,479
Jun	108.38	108.40	-0.14	108.44	108.12	784	2,604

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Nov	PUTS Dec	PUTS Mar
110	0.73	1.44	-	0.63	2.18	-
111	0.31	1.01	-	1.21	-	-
112	0.12	0.69	-	2.02	-	-
113	0.04	0.44	0.67	-	-	-
114	0.02	0.28	-	-	-	-

Est. vol. total, Calls 23,681 Puts 21,872 . Previous day's open int., Calls 296,613 Puts 263,480.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.02	89.35	+0.31	89.44	88.91	134683	183734
Mar	88.10	88.38	+0.28	88.44	88.00	6740	16201

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
8900	0.78	0.65	0.92	1.08	0.43	1.27	1.54	1.70
8950	0.51	0.47	0.72	0.87	0.06	1.59	1.84	1.99
9000	0.31	0.33	0.55	0.69	0.96	1.95	2.17	2.31

Est. vol. total, Calls 12635 Puts 12344. Previous day's open int., Calls 283830 Puts 221316

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	100.15	100.35	+0.17	100.47	100.05	22010	52832
Mar	99.20	99.22	+0.12	99.30	99.09	878	8282

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
10000	1.01	2.08	0.66	2.86
10050	0.74	1.87	0.89	3.15
10100	0.51	1.67	1.18	3.45

Est. vol. total, Calls 1961 Puts 630. Previous day's open int., Calls 26390 Puts 61427

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	86.10	86.18	+0.08	86.19	85.97	25,949	77,816

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	100-24	101-00	+0-10	101-04	100-19	28850	106369
Mar		100-08	+0-10			0	62

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
101	0-50	1-47	0-50	2-31
102	0-24	1-19	1-24	3-03
103	0-10	0-63	2-10	3-47

Est. vol. total, Calls 3987 Puts 4249. Previous day's open int., Calls 77535 Puts 47784

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	80.02	80.06	-0.12	80.20	79.88	3,126	6,121

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	96-10	96-11	+0-02	96-15	96-07	208,259	386,911
Mar	95-23	95-23	+0-02	95-27	95-20	17,217	31,695
Jun	95-03	95-04	-	95-04	95-03	61	11,618

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Dec	107.67			107.74	107.64	2911	0
Mar	106.97			107.03	106.94	1193	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Nov 8	Day's change %	Mon Nov 7	Accrued interest	xd adj. ytd		Low coupon yield Nov 8	Nov 7	Yr. ago	Medium coupon yield Nov 8	Nov 7	Yr. ago	High coupon yield Nov 8	Nov 7	Yr. ago
1 Up to 5 years (24)	118.30	-0.06	118.38	1.60	9.83	5 yrs	8.65	8.62	6.12	8.69	8.68	6.36	6.36	9.83	6.50
2 5-15 years (23)	138.26	+0.01	138.24	1.48	11.49	15 yrs	8.56	8.56	7.06	8.72	8.72	7.19	8.95	8.96	7.38
3 Over 15 years (8)	154.78	+0.02	154.73	2.37	18.87	20 yrs	8.54	8.53	7.15	8.72	8.72	7.23	8.86	8.86	7.40
4 Irredeemables (6)	174.12	-0.42	174.85	0.34	13.47	Irred.†	8.61	8.58	7.27						
5 All stocks (61)	135.81	-0.01	135.83	1.67	10.93										

Index-linked	Tue Nov 8	Day's change %	Mon Nov 7	Accrued interest	xd adj. ytd		Inflation 5% Nov 8	Nov 7	Yr. ago	Inflation 10% Nov 8	Nov 7	Yr. ago
6 Up to 5 years (2)	185.88	+0.03	185.82	0.51	5.07	Up to 5 yrs	4.07	4.07	2.32	2.96	2.94	1.53
7 Over 5 years (11)	173.34	+0.04	173.27	0.95	4.36	Over 5 yrs	3.88	3.88	3.14	3.69	3.69	2.98
8 All stocks (13)	173.76	+0.04	173.69	0.91	4.41							

Debentures and Loans	Tue Nov 8	Day's change %	Mon Nov 7	Accrued interest	xd adj. ytd	5 year yield Nov 8	Nov 7	Yr. ago	15 year yield Nov 8	Nov 7	Yr. ago	25 year yield Nov 8	Nov 7	Yr. ago
9 Debs & Loans (77)	126.88	+0.25	126.56	2.36	9.57	9.74	9.76	7.71	9.69	9.72	9.15	9.65	9.67	9.31

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Nov 8	Nov 7	Nov 4	Nov 3	Nov 2	Yr ago	High*	Low*
Govt. Secs. (UK)	90.89	91.04	91.69	91.45	90.89	102.61	107.04	89.54
Fixed Interest	107.59	108.01	107.84	107.62	107.56	123.12	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Nov 7	Nov 4	Nov 3	Nov 2	Nov 1
Gilt Edged bargains	79.9	86.2	76.3	87.3	78.8
5-day average	81.6	81.7	79.0	80.0	80.8

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 8

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 8½ 03	1000	87⅛	87½		8.69
Alberta Province 7⅞ 96	1000	98½	98⅞	-⅛	8.08
United Kingdom 7¼ 97	5500	100¾	101	-⅛	6.84
Volkswagen Intl Fin 7 03	1000	93⅝	94		8.05
World Bank 0 15	2000	20⅛	20⅞	+¼	7.89
Abbey Natl Treasury 8 03 £	1000	91¼	91½		9.55
Alliance Leics 11⅞ 97 £	100	105⅞	106	-⅛	8.66
British Land 8⅞ 23 £	150	87⅞	88⅜	+½	10.44

[illegible]

UK GILTS PRICES

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. § Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

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Their continuous pursuit of improvement, year after year, is as single-minded as ours. We're proud to present them with our Rover Supplier Excellence Awards for 1994.

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BRONZE AWARDS: Eaton GmbH · Caradon Peak Limited · Freudenberg Technical Products LP · Eagle-Picher Industries GmbH · Codan Rubber Limited Caradon Rolinx Limited · Geo W King Limited · Seal Technology Systems TRW United Carr Limited · Perstorp Components Limited · Nippondenso UK Limited · Marley Automotive Components Limited · Linpac Ekco · Fram Europe · INA Bearing Company Limited · Richard Klinger GmbH · Delco Chassis Limited · Metallifacture Limited Linpac GPG International · Motorola AIEG · Henkel Teroson Klinger Automotive Limited · Pianoforte Supplies Limited Goodyear (GB) Limited · United Parts FHS Automotive Systems · Barretts · Thyssen Umformtechnik Remscheid Plant Prescott Powell Limited · Midland Industrial Plastics Limited · Johnson Controls Automotive (UK) Limited Leigh-on-Sea Plant · Courtaulds Textiles Automotive Products · Carrs Paints Limited · Avenell Engineering Limited Oxford Automotive Components · UK-NSI Co Limited · S.P. Tyres (UK) Limited · Johnson Controls Automotive (UK) Limited Telford Plant ITW Proffitt · Stanton Rubber & Plastics Limited · Plastic Omnium Limited Merriott Mouldings Limited · Inalfa BV · GKN Hardy Spicer Limited Lander Automotive Limited · Miasa · Fagor Ederlan · Premier Exhaust Systems Thyssen Umformtechnik Brackwede Plant.

THE RG2000 AWARD FOR OUTSTANDING IMPROVEMENT: Brico Engineering Limited.

ROVER GROUP

LAND-ROVER ROVER

Birmingham Midshires buys £550m mortgages

By Alison Smith

Birmingham Midshires, tha UK's 13th largest building society, has acquired the £550m UK residential mortgage business of the UK subsidiary of Credit Agricole, the French mutually-owned bank.

The purchase is more than three times larger than any of Birmingham Midshires' mortgage book acquisitions to date and is a further example of the departure from the UK market of the centralised lending subsidiaries of overseas groups. It represents more than 10 per cent of the society's assets, taking them to just over £5bn.

The society would not disclose the price, which is thought to be less than £20m.

The Credit Agricole business is administered from Richmond, Surrey. Staff based there will continue with the day-to-day management of its 11,000 customers for the time being. Birmingham Midshires said, however, that in the longer term management of the business would be integrated with that of the other mortgage books it has acquired and managed from its Wolverhampton office.

Credit Agricole Personal Finance said yesterday that the decision to sell had been strategic. The company considered a customer relationship limited to mortgages alone to be insufficient in the UK.

Credit Agricole is the largest bank in France with total assets of FFr1.67bn (£199m).

In a similar move, Banque Nationale de Paris is leaving the UK market: further progress of the sale of its outstanding mortgages of £1.5bn to Halifax Building Society, the UK's largest mortgage lender, is expected to be announced later this month.

In a generally flat UK mortgage markat, where margins are low, acquisition of mortgage books and businesses is a popular way for mainstream lenders to gain market share. Last week Abbey National, the mortgage lender and banking group, announced that it was buying Household Mortgage Corporation, the UK's largest centralised lender with about £1.6bn in outstanding mortgages, in an agreed cash offer of £56.3m.

Centralised lenders sell through intermediaries rather than through branches, so for the purchaser there is the prospect of growth without the task of reconciling two branch networks.

Many centralisad lenders entered the UK housing market in the boom years of the 1980s and have found conditions much more difficult since. Where they are owned by foreign banks, the UK is often seen as no longer a core area of business.

C&W moves Mercury chief

By Paul Taylor

Cable & Wireless, the telecommunications group whicb reports its interim results today, announced a surprise senior management reshuffle – inclnding tbe appointment of a new chief executive for its Mercury Communications subsidiary – last night.

Mr Mike Harris, currently chief executive of Mercury and executive director Europe, is moving to become chief executive of Cable & Wireless Federal Development, which is responsible for developing the gronp's worldwide services, features, applications and technologies.

Mr Harris, who joined Mercury in October 1991 having previously been chief executive of Midland Bank's Firstdirect unit, is being replaced by Mr Duncan Lewis, director of Business Networks and Cable & Wireless' US operations.

The management changes come at a time when Mercury faces growing competition and the need to improve productivity and cut costs.

Commenting on the changes, Lord Young, executive chairman of Cable & Wireless, said they reflected "the development of Mercury as it faces intensified competition and regulatory change".

Among other appointments Mr Edward Astle is to become chief executive of Cahle & Wireless Federal Communications while retaining his present responsibilities.

See Lex

Ashbourne to join market with £80.5m valuation

Ashbourne Holdings yesterday announced its shares would be offered to potential investors at 150p, valoing the nursing homes operator at £80.5m.

Ashbourne, which was the subject of a management buy-out last year from Stakis, the hotels and casinos group, is raising £48m after expenses through a placing and public offer to pay off debt.

Some 15 per cent of the 33.3m shares being issued will be offered to the public and the rest placed with institutions. Existing shareholders will retain 38 per cent of the company.

The company is coming to the market on a p/e of 12.9 times, based on historic earnings of 11.6p. Ashbourne said that if it had been listed for the year to October 2, the board would have recommended a dividend of 3p. This represents a notional yield of 2.5 per cent.

Ashbourne caters for the upper end of the private pay market and is one of the largest nursing home groups in the UK with 19 homes and 1,599 registered beds.

Mr Tom Hamilton, chief executive, plans to open four new homes and build two extensions to existing homes hy the end of 1995. Ashbourne has the land and planning consent to build homes with a further 515 beds.

Placing and intermediaries offer values SeaPerfect at £59m

Investors with a yen for molluscs are being offered a stake in SeaPerfect, the world's largest controlled producer of shellfish, for 120p a share. The price values the seafood farmer at £59m.

SeaPerfect, which was founded by a US computer entrepreneur in the 1980s, is coming to the market through a placing and intermediaries offer of 20.8m shares. The issue will raise £25m, of which £18.4m will go to the company and £6.6m to existing shareholders.

Of the offer, 15.6m shares, or 75 per cent, have been placed firm, with the balance placed conditionally and made available to intermediaries.

SeaPerfect farms shellfish in Chile, Florida and South Carolina, producing seed in its hatcheries and setting tha young clams and scallops in protected coastal areas.

Mr Bill Lord-Butcher, chief executive, argues that with declining stocks of shellfish in the wild due to overfishing and pollution, controlled farming is the only way to meet rising demand.

The company is forecasting a loss this year of not more than £1m, after 1993's deficit of £2.7m. However, Mr Lord-Butcher has said the company is making a profit in the final part of this year.

Sir David Orr, former Unilever chairman, is chairman and Mr André Benard, the former co-chairman of Eurotunnel, is a non-executiva director.

Tha issue has been fully underwritten by Williams de Broë, the stockbroker.

£10m law suit fears hit Lloyd Thompson

By Ralph Atkins
Insurance Correspondent

Shares in Lloyd Thompson, the insurance and reinsurance broker, fell 16p to 176p yesterday after the company warned that its principal subsidiary was expected to be named as defendant in a £10m law suit.

Commercial Union, the composite insurer, is understood to be planning legal proceedings following a dispute over a marina insorance policy arranged via Lloyd Thompson. CU, which today announces its results for the first nine months of this year, would not comment last night.

Lloyd Thompson said it would "vigorously resist" any claim. The gronp said in a statement that the proceedings had arisen "in the ordinary course of business" of its main broking business. The statement added: "Such proceedings could, if instituted, give rise to a claim of approximately £10m."

Lloyd Thompson has had to weather difficult trading conditions over the past year which have curbed profits growth. In Septembar it announced pre-tax profits np 5 per cent to £18.2m for tha 12 months to June 30.

Currency influences restrict growth at Elan Corporation

By John McManus in Dublin

Elan Corporation, the Irish-based drugs company 75 per cent owned by US investors, reported pre-tax profits of I£19.8m (£19.5m) for the six months to September 30.

The interim results last time showed a loss of I£69m but included a write-off of I£85m for goodwill when Elan acquired Drug Research Corporation.

Excluding the write-off, profit before tax amounted to I£16m.

Turnover rose from I£50m to I£59m. Manufacturing and distribution incoma was flat at I£29m as an 8 per cent increase in sales was offset by the strengthening of the punt against the dollar.

The main market for Elan's products is tha US, which accounts for more than 50 per cent of sales.

The group's main product is the range of hypertension and angina drugs known aa the Cardizem family, which are projacted to have sales of approximately $900m (£550m) in the US and Canada this year, according to Mr Tom Lynch, the chief financial officer.

The drugs are made under licence by Marion Merrell Dow and Elan takes 5 per cent of sales.

Royalty income fell from I£10m to I£8m, also the result of currency influences.

Contract development incoma incraased from I£7m to I£11m, representing an increased contrihntion from Advanced Therapeutic Systems, a research affiliate.

Earnings per share were 55p compared with losses of 206p. Earnings before the exceptional charge amounted to 45p.

The group is maintaining its policy of not paying dividends at the interim stage.

Correction

Automagic

Turnover at Automagic in the year to Juna 25 fell from £11.6m to £11.2m. The figures were wrongly reported in yesterday's FT.

Institutional investors demand greater international expertise

MAM sets sights on Germany

By Norma Cohen,
Investments Correspondent

Mercury Asset Management, the UK's largest independent fund management company, is setting up an investmeot company in Germany to capitalise on tbe growing demand for international investment expertise.

MAM is 75 per cent owned by SG Warburg, the investment bank. Mr Harald Schussler, joint managing director of SG Warburg Asset Management Frankfurt, said: "The target client is the German institutional market – pension funds, insurance companies, corporates."

Recent European Union legislation on insurance funds which forced Germany to lift restrictions on investment outside the country had prompted increased interest in international bonds and equities.

"Our intention is to market our experience in the global equities market," Mr Schussler added.

The German institutional funds market has grown between 40 and 50 per cent in each of the last three years as corporations discovered that professional fund managers earned better returns than in-house investment managers, he said.

MAM has obtained a licence to establish a Kapitalanlagegesellschaft, which will allow it to set up so-called "spezialfonden" carrying special tax advantages.

Mr Schussler said it had several potential clients already.

MAM is also setting up a continental sales office in Frankfurt which will target the $900m (£550m) Luxembourg-based umbrella fund, Mercury Selected Trust, at the German retail market.

Meanwhile, Mercury Asset Management reported a 13 per cent rise in pre-tax profits for the six months to September 30 from £50.4m to £57m. The interim dividend rises to 4.5p (4p).

Assets under management rose from £55.5bn a year ago to £62.7bn. Some £1.3bn represented net new cash in both institutional and retail accounts, said Mr Hugh Stevenson, chairman.

However, with the rise in profits and revenues came a significant increase in operating expenses.

Operating costs rose from £56.8m to £82.2m but were only slightly ahead of spending in the second half of the last financial year.

Mr Stevenson said almost all the increased expenses related to the hiring of additional back office support for MAM's global custody operations and its growing retail funds business.

"Spending has been frozen for the past three years and we had a lot of catching up to do," he said.

However, he added that the growth in expenditure was not likely to occur into the second half of this year.

Getting policy in sharper focus

Norma Cohen looks at the changes taking place at SG Warburg

SG Warburg Group has completed an overhaul of its senior policy-making structure following the most rigorous internal management review since the Big Bang deregulation of London markets in 1986.

The changes sweep away what Lord Cairns, Warburg's chief executive, described as a "fuzzy" decision-making structure in which too many people had to be consulted. Even those most informed about key areas felt tbey lacked the authority to make choices.

Lord Cairns said the effect of tbe structure was to make decision-making a time-consuming process in a business which, by definition, must move quickly.

"Decisioos became rather fuzzy. Nobody felt ownership of anything, and everything was referred up to the top," he said. The management structure had evolved since Big Bang, wbeo various acquired businesses were integrated into the group.

The changes, which were announced internally in October at the same time as Warburg issued a profits warning, abolish the 18-member investment banking management committee. It is replaced by a smaller investment banking policy committee consisting of eight of those 18 executives.

The old IBMC had been responsible for overseeing the decisions of other committees, several of which "were in the high teens" in their own members, Lord Cairns said. Sometimes the IBMC would be discussing matters which some members knew little about.

Under the new structure, four new committees, each with eight members, have been created. These committees are intended to make the sort of decisions which used to be referred to the IBMC.

The management changes were unrelated to current trading conditions at Warburg, he said. They were put in train about a year ago. Mr Peter Wilmot-Sitwell, then chairman of SG Warburg Securities, was coming up to retirement and Mr Herman Van der Wyck, chairman of SG Warburg and Co, intended to step back from executive responsibility. "The environment was right for change," Lord Cairns said.

Trevor Humphries

Lord Cairns: The environment was right for change

Overhauling the management structure, for an institution like Warburg, has not been easy. "We come from a culture which is pretty consensus driven. There is a great respect for the views of others. What we need is a balance between a hierarchical structure and a consensus structure," he explained.

Deciding who should and who should not be on decision-making committees was a "sensitive" issue, he said.

The new policy committee consists of Lord Cairns, Mr Derek Higgs, chairman of SG Warhurg and Co, Mr Nick Verey, chairman of SG Warburg Securities, Mr Simon Leathes, group finance director, Mr Michael Gore, chairman of SG Warburg Asia Pacific, Mr Piers von Simson, head of Europe, Mr Rodney Ward, head of Asia except Japan, and Mr Thomas Wyman, head of US operations.

Reporting to it is a new long-term strategy group chaired by Mr John Trueman, head of group risk.

Reporting to the policy committee are four functional committees: corporate finance, equity, fixed interest and treasury and operations, which includes the functions of custody, settlement, information technology and administration. Some former members of the old IBMC are on these committees.

Beneath that is a business development group, chaired jointly by Mr Higgs and Mr Verey, whose job it is to make short-term decisions.

Securities analysts welcomed the changes. "When people start to look internally when things go wrong, that starts a period of self-cleansing," said Mr Rodney Maryan Green, merchant banking analyst at James Capel.

WEW returns to black with £3.3m

By Peter Pearse

After its first full year at the helm, the new management team at WEW Group, which curreotly runs 71 What Everyone Wants discount stores, was yesterday able to announce a return to the black.

Pre-tax profits for the 12 months to July 30 emerged at £3.25m, against losses last time of £2.09m, on total turnover of £112m (£106m), of which £2.04m was from discontinued activities.

The turnround was helped by a reduction in net interest charges to £355,000 (£744,000) after the injection of £15m of new capital in January. Mr Keith Paskins, finance director, said this gave WEW £2m cash in tha balance sheet, against £8m debt.

However, the group has had to take as an exceptional charge £397,000, representing compensation to Mr Ian Grabiner, who resigned as managing director in August.

In addition, there have been further provisions of £1.54m (£3.21m) in respect of properties and operational guarantees from the discontinued Dennis Day, the clothing manufacturer and importer now sold. This was reduced by a prior year provision of £670,000. The sale brought in profits of £717,000.

Furthermore, within the cost of sales lay a £1.1m provision against problems with "aged and surplus stock" in the core business.

At the operating level, profits from continuing operations were £5.13m (£6.02m restated).

Mr Peter Carr, chairman, who describes himself and Mr Paskins as "a coupla of old shopkeepers who'va baan around a long time", said the current management team was cautious.

"The success of this business depends on its buying," said Mr Paskins yesterday. Mr Carr added that some buyers had been in place since 1990, when turnover was only £31.2m. Current year sales are targeted at £160m, rising to £320m by 1998. New buying controllers have been recruited for the four trading divisions.

By the end of the year the number of stores rose to 63, with 11 opened during the pariod. The plan is for 125 stores within five years. Mr Carr said capital expenditure – also covering store refits – was £4.5m (£3.7m) and will rise to £6.5m in the current year.

Earnings were 1.35p (losses 2.7p) per share. The final dividend is lifted to 0.35p (0.25p), though the total falls to 0.7p (1.35p). The shares closed down 2p at 31p.

Smith New Court, the house broker, remains cautious, downgrading current year forecasts to pre-tax profits of £7.5m and earnings of 3.3p.

NEWS IN BRIEF

CATTLE'S (HOLDINGS): Rights issue acceptances in respect of 23.2m shares or 94.1 per cent.

CONTINENTAL FOODS has acquired Sykes (Soft Drinks), which operates door-to-door rounds in the Sunderland area, for £447,525 cash. The net asset value of Sykes at completion is expected to be £397,525, which includes some £215,000 cash.

GARTMORE EUROPEAN Investment Trust: Net asset value 147.1p (136.3p) per share at Septemher 30 year end. Earnings per share 0.96p (1.55p). Single dividend held at 0.9p.

GROSVENOR INNS has purchased a 25 year leasehold interest in a site in London's Kings Road for £650,000 cash. The site currently trades as The Argyle, a restaurant and bar.

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THE INSOLVENCY ACT 1986
INTERCON (UK) LIMITED

NOTICE IS HEREBY GIVEN pursuant to section 98 of the Insolvency Act 1986 that a meeting of creditors will be held at Robson Rhodes, 186 City Road, London EC1V 2NU on 11 November 1994 at 10.30am for the purposes mentioned in sections 99, 100 and 101 of the said Act.

Creditors wishing to vote at the meeting must lodge a proxy, together with a statement of their debt, at the offices of Robson Rhodes, The Galleria, Station Road, Crawley, West Sussex RH10 1HY not later than 1200 hours noon on 10 November 1994.

A list of the names and addresses of the company's creditors will be available for inspection, free of charge, at the offices of Robson Rhodes, The Galleria, Station Road, Crawley, West Sussex RH10 1HY on 9 and 10 November 1994 between the hours of 1000 and 1600 hours.

Dated this 1st day of November 1994

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COMPANY NEWS: UK

Anglian Water rises 20% but sector falls

By Peggy Hollinger

Anglian Water yesterday announced a 20 per cent rise in pre-tax profits to £120.6m for the half year to September 30 and declared a 9.6 per cent increase in its interim dividend from 7.3p to 8p.

In spite of the announcement, water shares closed 2 per cent lower yesterday. This contrasts with the reaction last week when Thames Water's surprise 11 per cent dividend increase left the sector 2 per cent higher.

The market interpreted Thames's action as a signal to increase dividend expectations for the sector. "It is not surprising that the sector is weak," said Mr Bill Dale of SG Warburg. "Expectations ran wild after Thames's results."

Anglian said it had increased the dividend in line with its underlying earnings improvement. The profits advance was helped by a £10.3m reduction in the provision for water and sewerage pipeline maintenance to £9.8m.

Turnover was 5 per cent higher at £358.3m, against £341.4m when pre-tax profits were £100.5m. Earnings per share rose from 32.2p to 38.7p.

Mr Alan Smith, managing director, said Anglian was confident it would be able to maintain real earnings growth under the new five-year pricing regime set by the industry regulator in July.

Customers would also benefit, he said, with an extra £8m to be devoted to issues such as low water pressure, sewer flooding and cleaning up estuaries. This funding was in addition to the £154m invested in the first half and £170m already budgeted for the latter part of the year.

Alan Smith: confident of maintaining earnings growth

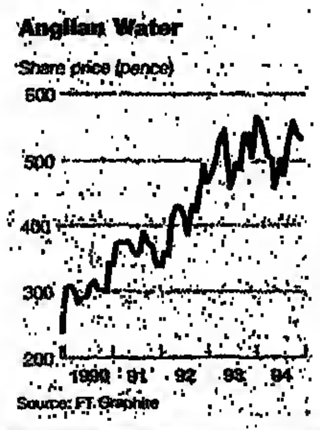
Anglian, which announced plans for 900 job losses earlier this year, said operating costs had been held at £174m (£173m) through tight spending controls and other efficiencies in the regulated business. The regulated business improved operating profits by 18 per cent to £139.5m (£118.7m) on sales 5.4 per cent higher at £315.5m (£299.3m).

Losses in Anglian's two main non-regulated businesses rose from £400,000 to £1.6m. Mr Smith said this was due to marketing and research and development costs. The process engineering business was expected to return to profit in the second half.

● **COMMENT**

After the brief excitement sparked by Thames, the water sector has returned to earth with Anglian's results. The company's emphasis on a dividend increase backed by similar underlying growth could be seen as a warning not to expect too much under the new pricing regime when earnings are expected to be flat. However, the company may not be as constrained as once thought. The substantial cut in the infrastructure renewals charge has enhanced its cover and its prospects for dividend growth. Anglian is also making noticeable progress on efficiency savings. Nevertheless, the non-core business remains disappointing. Forecasts are for about £225m this year, with a prospective p/e of 8. There is still little which sets Anglian apart, in a sector depressed by limited exposure to economic upturn and substantial political risk.

Anglian Water



Source: FT Graphite

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
AG	fin	3.25	Jan 8	2	5.5	2
Anglian Water	int	8	Feb 20	7.3	-	22.8
British Airways	int	3.5	Jan 31	3.18	-	11.1
Gartmore Euro	fin	0.9	Jan 31	0.9	0.9	0.9
GR (Holdings)	fin	0.7	Dec 22	1.4	23.6‡	1.8
Greenway	int	1	Jan 3	nil	-	1.5
H'tlepools Water	int	24	Jan 1	23	-	60
Ingham	int	1.75	Jan 13	1.75	-	5
Marks & Spencer	int	2.8	Jan 20	2.5	-	9.2
Scottish Nat'l ♠	fin	2.6	Jan 7	2.8	7.5	7.75
UPF	fin	1	Jan 18	-	1	-
Warburg (SG)	int	6	Dec 19	6	-	22
WEW	fin	0.35†	Dec 18	0.25	0.7	1.35
Wyndeham Press	int	1.4†	Dec 16	0.75	-	2.25

Dividends shown pence per share net except where otherwise stated. †On increased capital. ‡Includes special. ♠Corrected.

The sombre and sensitive subject of pricing

Christopher Price looks at the uncertain process by which the market value of new issues is determined

Institutional investors remain in a sombre mood over new issues.

In what has been a record year for flotations, a rapid succession of profit warnings, poor results and share price underperformances has rattled investors

It has also served to focus attention on the sensitive subject of pricing.

"The feeling remains among many fund managers that some of the new issues which came to the market during the first quarter of the year, in particular, were overpriced," says Mr Geoff Douglas, smaller companies analyst at BZW.

This attitude has been reflected in several recent issues where companies have been forced to scale back their valuation expectations.

Cellular components group Filtronic Comtek, for example, which was expecting a market valuation of about £60m, had to settle for £44m.

TLG, the holding company for Thorn Lighting Group, was valued at £205m against hopes of about £225m.

But significantly, both companies have been successful at the issue prices dictated by the market.

Filtronic leapt to a 15 per cent premium within days of its flotation, while TLG's offer has been subscribed 3.2 times. Its shares begin trading tomorrow . Fashion retailer New Look, however, refused to countenance the price institutions were putting on its shares last week, and became the latest in a growing list of companies to postpone its float.

While criticisms have been levelled at the quality of the companies coming to the market and at investors' eagerness to exit at the earliest opportunity and the highest price, it is the financial advisers which have borne the brunt of the disquiet over pricing.

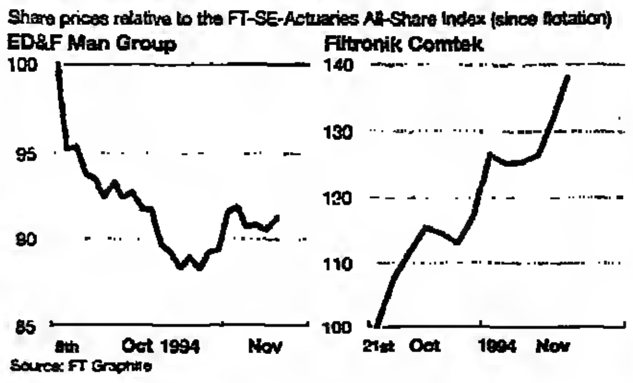
However, they counter that pricing is largely a function of investor demand, which was high during the last quarter of 1993 and the beginning of this year, helping to push up prices. They also argue that, as they are often involved in placing only part of a company's equity, it is not in their interests to float a company at a price that is not sustainable, because there may well be more to come.

Traditionally, new issues have been priced at a discount to either their nearest listed competitors, or to the sector, or to the market, the purpose being to give investors an incentive to subscribe for the shares.

Keen pricing should also stimulate demand in the after market when the shares begin trading.

What price new issues?

Share prices relative to the FT-SE-Actuaries All-Share Index (since flotation)



Source: FT Graphite

The two-week period prior to the shares being priced is a crucial one when the company, adviser and broker meet with investors and gauge feedback to the issue.

"Although it is not a completely passive process, pricing is largely a reflection of institutional appetite," says Mr Paul Hamilton, a director of corporate finance at SG Warburg, the investment bank.

Another adviser commented: "If the institutions won't wear it then it won't get away. It's as simple as that. They call the tune."

Mr Tim Linacre, corporate finance director at Panmure Gordon, says that the important thing is to establish benchmarks for a company so that a valuation can then be more easily established.

The process is, however, more problematic when companies are not easily defined.

"The pricing issue becomes less scientific and more selective after that," Mr Linacre says.

Panmure was responsible for advising Filtronic, the first company in its field to come to the London market.

"We had to tell the institutions what we thought the company would make and apply our own multiple to the prospective earnings", says Mr Linacre. "Not all of them hought the story and we eventually settled for a price at the bottom of the range we had set ourselves."

But the company was supported by firm American interest – the placing was being undertaken simultaneously in the US – and a strong management story. As a result, the flotation price put the shares on a prospective p/e of about 20 times, still well ahead of the market average of 13.5 times for 1995.

Other companies which have jumped or dived on or shortly after the day of issue have similar individual tales explaining their performances, making generalisations over pricing difficult.

Finelist, a motor components group, jumped to a 16 per cent premium on its first day's trading, which might indicate a slight underpricing. Like Filtronic, Finelist was a difficult company to compare with others and the shares came on a slight premium to the market on a prospective basis, although at a discount to its sector. BZW was the broker to the issue and Mr Douglas says that the strong early performance of the shares enabled the company to come back to the market in July to finance an acquisition.

Coda, the accountancy software group, came to the market in February on a prospective p/e of about 19, according to analysts, again a hefty premium to the market. Unfortunately, this was also at the market's peak, and the shares trailed downwards, although outperforming the FT-SE-A All-Share. However, the group dived into the red in July and the shares lost 25 per cent of their value.

ED&F Man, the commodity broker, also suffered from the sour sentiment towards new issues, having its issue price reduced by 15 per cent from the expected figure when it floated in September. The offer price gave it a notional yield of 6 per cent; the prospective p/e was about 9 times, a good discount to the food manufacturing sector's 12. But the shares went to a 10 per cent discount within two weeks of their issue, which the company's advisers attribute to the falling market. They have since recovered but are still trading below their issue price.

Mr Douglas says that investor nervousness has prompted an increase in yields among new issues. "In a growth market, the yield plays little part in investor interest. But now they've started to creep back up again." One institutional investor added: "Falling prices and improving yields is the only way the new issues will come back into favour with the big institutions."

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Highlights from the statement by the Chairman.
SIR RICHARD GREENBURY

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FT Surveys

COMPANY NEWS: UK

Forte pays FFr1.82bn for Meridien hotels

By Michael Skapinker, Leisure Industries Correspondent

Forte has peid a total of FFr1.82bn (£217m) for the Meridien botel chain.

The final purchase price for Meridien is less than the FFr1.9bn envisaged when the deal was first announced in September. This is hecause some minority shareholders agreed to accept lower amounts in return for earlier payment.

Mr Rocco Forte, Forte's chairman, has been appointed chairman of Meridien.

Meridien will have an eight-member board, of wbom six will come from Forte.

Mr Jean Didier Blanchet, Meridien chairman until the purchase, is to he vice chairman.

Air France, whicb owned 57 per cent of Meridien until the Forte acquisition, is to retain a place on the board in the form of Mr Patrick Durant, an Air France director.

Forta has signed a seven-year co-operation agreement with Air France, under which it will jointly market Meridien hotels, and possihly otber Forte properties. Forte said Air France flights to Germany and the US might be useful in marketing its hotels in the two countries.

The cost of purchasing Air France's stake is FFr1.09bn, of which FFr871m was paid yesterday. The balance is payable on March 8 1995, but is dependent on both detailed structural surveya and on bow many hotel management contracts Meridien retains.

Of the minority shareholders, those with 11.35 per cent of the shares agreed to sell to Forte on the same terms as Air France. This meant Forte was required to pay FFr173m yesterday.

A further FFr43m is payable on Marcb 8, again subject to the same conditions as Air France.

Minority shareholders representing 31.33 per cent of the shares agreed to accept final payment yesterday at a 15 per cent discount to the payment received hy the otber shareholders. The cost was FFr508m.

Forte said yesterday's payments were mainly met from tbe proceeds of last week's £175m placing of Forte shares.

The balance was paid from existing borrowing facilities.

Hoare Govett launches index tracking investment trust

By Bethan Hutton

Hoare Govett is launching an investment trust to track its recently developed HG 1000 index, which covers the smallest 2 per cent of UK listed companies.

An institutional placing of shares in the new trust, whicb is to be called Hoare Govett 1000, is expected to raise up to £30m. Trading in the shares starts on November 15.

The trust will aim to match broadly botb changes in the capital value of the index and its gross dividend yield hy investing in 300 or more of the 1,000 companies which constitute the index. The largest are capitalised at just over £50m, and the smallest at under £1m.

The size of the fund is limited by the lack of liquidity in the target market. "The typical smaller company trades about once a week, and clearly considerable patience is required if a stake is to be built in smaller components of the HG 1000," said Professors Elroy Dimson and Paul Marsb, of the London Business School, in a report on the new index.

The fund will be managed by Broadgate Investment Management, which already manages a trust tracking Hoare Govett's main smaller companies index. Both have an annual management charge of 1 per cent.

Acquisitions behind rise at Wyndeham Press

Contributions from three acquisitions made earlier this year helped Wyndeham Press, tbe printing and packaging company, double pre-tax profits from £750,000 to £1.51m for the six months to September 30.

The purchases – of Westway Offset, B&P, and Unity Paper Tubes – follow the acquisition in July last year of the Gait group.

Turnover of the enlarged company for the half year was np hy 85 per cent from £6.27m to £11.6m, of which £4.03m came from acqnisitions. The pre-tax ontcome was struck after a net interest charge of £141,000 (£28,000).

Despite the issue of some 6m shares during the period, earnings emerged at 4.9p (3.3p). The interim dividend is raised to 1.4p (0.75p).

Since the period end Wyndeham has acquired BR Hubbard Printers, a label and magazine printer.

Stakis makes £7.6m hotel buy in Bournemouth

Stakis, the botels and leisure group, is paying £7.6m casb for the Palace Court Hotel in Bournemoutb, Dorset. The purchase of the 110 bedroom hotel brings the group's chain to 38. It also runs 22 casinos.

Mr David Michels, chief executive, said: "This is one of the best hotels in one of the best resorts in the country." Much of its business comes from the conference and corporate market.

Gt Portland £18.9m acquisition

By Simon London

Great Portland Estates has acquired a portfolio of seven freehold properties from a private company for £18.9m, satisfied by the issue of 5m shares and £9.6m in cash.

The portfolio comprises two office hnildings, one retail, and four distribntion warehouses located in Cardiff and Plymonth. The properties generate an annual rental income of £1.5m, snggesting tbat Great Portland is hnying on a yield of abont 8 per cent.

Tbe company said tbat it expected rental income to increase by 10 per cent ovcr the next year as a resnlt of rent reviews, which wonld pusb the yield on the properties to 8.75 per cent.

Mr Patrick Hall, depnty managing director, said tbat all the properties had been built or refurbisbed within the last 10 years and were let to blne-chip tenants. The deal will leave the vendors bolding 1.5 per cent of Great Portland's enlarged share capital.

In June, Great Portland bought a portfolio of buildings from a private company for £28m and the Royal Oak Industrial Estste for £30m.

Clothing, food and financial activities ahead, but furnishing suffers

M&S advances 15% to £354m

By David Blackwell

Marks and Spencer, the UK's most profitable retailer, lifted interim profits by 15 per cent on the back of a 7 per cent increase in sales.

Pre-tax profits for the 26 weeks to October 1 grew from £308m to £354m, while sales increased from £2.87bn to £3.07bn.

Sir Richard Graenbury, chairman, yesterday described the trading climate as "competitive" and consumers throughout tbe group's markets as "cautious and value-conscious".

But the group was well placed to contain raw material price increases as its suppliers benefited from large production volumes. It would also continue to huild on its "traditional strengths of quality and value".

The sbares yesterday closed at 404p, down 5¼p.

Trevor Humphries

Sir Richard Greenbury: Canada no longer a big problem

The UK, where tbe group now has 11.1m sq ft of selling space, continues to account for most of the turnover and profit. UK sales improved to £2.52bn (£2.37bn) and operating profits to £343m (£297m).

The group continued to win market share in clothing, where sales improved by 8.9 per cent to £1.3bn. Food sales were ahead by 3.9 per cent to £1.1bn.

The group said that food sales had suffered from the fact that Easter, a traditionally strong period, had fallen in the previous financial year. It was confident tbe supermarkets were not eroding its markat share.

Home furnisbing sales were down by almost 1 per cent. Sir Richard said the market had suffered a had few months, with consumers cautious on hig ticket items following tax increases.

The group's financial activities lifted profits from £15.5m to £18.5m following an increase in personal lending and a better performance on bad debts.

Tbe plan to accept debit cards, although not credit cards, will require a massive reprogramming of tills and information systems, which will begin after Christmas. Customers should be able to pay hy debit card by next spring.

The group is planning to open most of its stores on the four Sundaya approaching Christmas now that Sunday trading is legal. But Sir Richard said it would continue to ba "very selective" in the stores it opened on Sundays for the rest of the year.

At present about 30 are open regularly, although this could rise to 50.

Outside the UK and Europe, sales were up from £276m to £291m, yielding operating profits of £10m (£8.7m).

Operating profits at Brooks Brothers, the North American clothing subsidiary, fell from £2.5m to £700,000. The group is looking for a US chief executive to replace Mr William Roberti, who leaves next month.

The loss in Canada increased from £1.3m to £1.9m. Sir Richard said the losses could mainly be blamed on rental costs – but said that Canada, with annual sales of £80m, was no longer a big problem.

Earnings per share improved to 8.6p from 7.6p. The interim dividend is increased from 2.5p to 2.8p.

NEWS DIGEST

AG down 5% as UK sales fall

AG Holdings, tbe Doncaster-based cable reel maker, reported pre-tax profits down 5 per cent at £2.76m for tbe year to July 31, against £2.91m.

The company hlamed a second half reduction in demand from the UK cable companies, its largest customers. The acquisition of a 67 per cent stake in EMS, the French cable drum maker, was completed in June, too late to bave an impact.

Turnover was £17.9m (£15.9m),including £1.37m from acquisitions. Earnings per share were 10.6p (11.4p). A final dividend of 3.25p is proposed for a total of 5.5p (2p).

Mr Richard Battersby, chairman, said turnover for the first two months of the current year was up 9 per cent hut margins had come under pressure.

Hartlepools Water

Hartlepools Water Company reported pre-tax profits ahead from £720,000 to £900,000 in the six months to the end of September. Turnover was £2.97m, against £2.76m.

Earnings per share came out at 83p (71p) and tbe interim dividend is raised to 24p (23p).

Tbe company is proceeding towards couversion to public limited company status.

Greenway down

Greenway Holdings, the waste oil recycling husiness, saw a fall in pre-tax profit for the six months to September 30 from £1.91m, which included a £1.5m exceptional disposal profit, to £915,000.

Operating profit was ahead at £912,000 (£427,000) from increased turnover of £5.17m (£4.59m). The company said the improvement reflected the acquisition last year of BCS into Orcol Fuels.

Earnings per share were 3.32, against 10.63p or 1.8p adjusting for tbe exceptional profit on the disposal of the US oil and gas operations. There is an interim dividend of 1p (nil).

GR (Holdings)

GR (Holdings), which operates tbe Graysbott Hall bealtb retreat alongside investment, property and sheepskin merchanting activities, incurred a deficit of £578,756 before tax during the year to June 30. The group was acquired in June by A Stanford, a company controlled hy Anthony and John Stalbow, both GR directors.

The outcome, which compared with losses of £438,168 last time, came on turnover of £3.95m (£4.33m). After a lower tax charge, losses per share were 8.5p (9.4p). A proposed final dividend of 0.7p brings the total for the year, including a 22.5p special distribution, to 23.6p (1.8p).

Investment Co

The Investment Company, which invests in preference shares and convertible stocks, reported net revenue up from £493,512 to £527,850 in the half year to September 30.

Total income amounted to £672,292 (£626,138). Earnings came out at 1.51p (1.31p) and the interim dividend is increased to 0.75p (0.5p). Net asset value per share at the period end was 47.64p (49.63p).

The ultimate holding company is New Centurion Trust.

Vodafone in France

Vodafone, the mobile communications company, . bas acquired full control of Robert Bosch Telecom Service France, making it the main Frencb marketing company for the GSM mobila phone systems of France Telecom.

Générale des Eaux, the French utilities and communications group, announced an extended alliance witb Vodafone last month.

London Merchant

London Merchant Securities, the property investor, and General Accident have ended their joint property activities.

However, other investment opportunities are being explored with further collaboration in mind.

The move involves the sala of their interests in a property in Old Park Lane, London, for more than £14m, the transfer to Genaral Accidant of LMS's interests in three further properties and the transfer to LMS of GA's holdings in City Commercial Real Estate Holdings.

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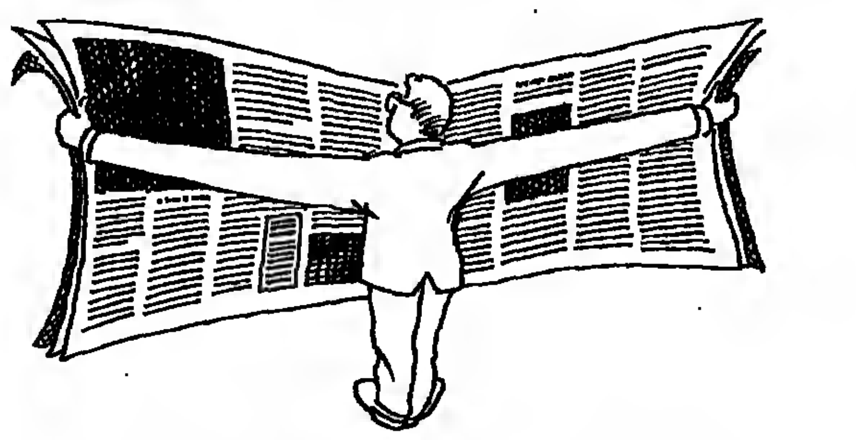

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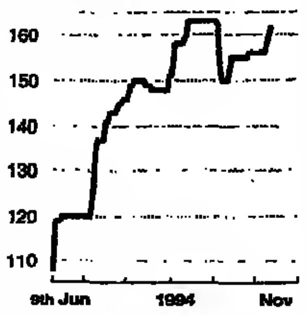
COMPANY NEWS: UK

UPF trebles to £4.11m

By Richard Wolffe

UPF Group

Share price (pence)



Source: FT Graphite

Pre-tax profits almost trehled at UPF Group in the vehicle chassis producer's first annual results since it floated in June.

The share price rose 5p to 161p yesterday as the group announced pre-tax profits of £4.11m (£1.46m) for 12 months to August 31. It said the figures were marginally abead of directors' forecasts.

UPF floated at 108p. Its expected value was cut by a third owing to the weak new issues market.

Operating profit rose 29 per cent to £5.45m (£4.21m) on turnover of £42.8m (£35.3m), reflecting growth of the core 4x4 chassis frame husiness.

UPF primarily supplies chassis for the Land Rover Discovery and Vauxhall/Opel Frontera. The 4x4 market accounts for 70 per cent of turnover, although the group also manufactures pressings for the car and domestic appliances industries.

Mr Keith Evans, chairman, said: "The prospects for organic growtb in our core business remain good, particularly given the continued forecast growth of the 4x4 off-road vehicle market."

Further sales increases are expected after BMW's acquisition of Rover, as Land-Rover takes advantage of BMW's distrihution network in Germany and North America.

Profits were underpinned by a 51 per cent reductioo in interest costs to £1.34m (£2.75m), following debt repayments helped by the flotation. Mr Evans said those costs would be reduced hy a further £1m this year.

Gearing stood at 33 per cent at the end of the year.

UPF was bougbt from the receivers to the collapsed Parkfield group in 1990, in a £30m management huy-out. It was forced to refinance in 1992 because of bad debts and problems with a new production line.

Earnings per share increased to 12.6p (4.86p) – or 12.19p (5.96p) on a pro forma basis – and the board proposes a final dividend of 1p.

ADR facility for Cluff

Cluff Resources, the minerals, oil and gas exploration gronp, has been granted permission to establish an American Depository Receipt programme. The facility is being sponsored by the Bank of New York.

Each ADR is linked to the underlying value of 10 Cluff ordinary shares and is currently being traded at aboot $7.15 (435p).

● Cluff's gold mining operations in Zimhabwe are expected to produce abont 70,000 ounces this year with production rising to 100,000 ounces from 1995.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Amersham Intl, Cable & Wireless, Chamberlin & Hill, Electrocomponents, Hambro Insurance Services, Yates Bros Wine Lodges.
Finals- Bibby (J), Fenner, Scottish Value Tst, Vitters.

FUTURE DATES

Interims-	
Babcock Intl	Nov. 24
Black Arrow	Nov. 18
Brackenbridge	Nov. 18
Castings	Dec. 1
Christie Group	Nov. 18
Emap	Nov. 21
Macdonald Martin	Nov. 24
RIT Capital Partners	Nov. 14
St James's Place Capital	Nov. 15
Sharelink Inv Services	Nov. 23
Stirling Inds	Nov. 22
Welsh Water	Nov. 25
Finals-	
Blick	Dec. 1
Clyde Blowers	Nov. 17
Greencore	Dec. 15
Murray Enterprise	Nov. 28
Tomkinsons	Nov. 24

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Dividend rises expected to shock politicians

Michael Smith *considers the interim results from the electricity companies which begin on Thursday*

It says somethiog about a sector when a company is expected to kick off the interim results season with an 11 per cent dividend rise which is likely to be seen as uninspiring hy comparison with its peers.

The sector is electricity, which has delivered an almost uninterrupted stream of good news to shareholders since privatisatioo began four years ago.

The company is Scottish Power, which repurts on Thursday. It may exceed the market's 11 per cent expectations hut it would have to perform miracles to match the England and Wales electricity companies.

Some of the 12 regiooal companies are considered capable of delivering dividend rises of more than 25 per cent, extraordinary even hy their extraordinary standards.

National Power and PowerGen, the generators, should not be too far behind, with analysts expectiog about 20 per cent in each case, even though both bave lost market share in recent years.

Profit increases for all companies will be meaningless because so much of power companies' sales are in the second half of the year. But the divideod rises will show that this is a sector in very good health. Far too good in the view of critics. A political row seems inevitable.

The Labour Party will use the results to promote its view that the electricity companies were floated too cheaply and are given too easy a ride by the regulator.

Mr Gordon Brown, shadow chancellor, warned last weekend tbat his party believed some companies should be subject to a windfall profits tax, especially in view of tbe regional companies' forthcoming flotation of tbe National Grid.

The Grid is expected to fetch at least £4bn, wbereas it was valued at just £1.2bn in 1990.

Shareholders io Scottisb Power and its neighbour Scottish Hydro-Electric should suffer less than the regional electricity companles from the political row's fall out.

They have no stake in the Grid and have had to cope with considerahly tighter price controls than the regional companies in England aod Wales.

Furthermore this year's regulatory review of prices, to take effect from next April, was viewed by the market as being much tougber on the Scottisb companies than those in England and Wales.

Hydro agreed. Two weeks ago it announced it was rejecting the controls on its distributioo husiness, triggering a referal to tbe Monopolies and Mergers and Commission.

With sucb an important issue at stake Hydro may be relatively suhdued when anoouncing its results next month. Even so, it is expected to produce an interim dividend rise of about 10 per cent. The City will be looking for guidance from Hydro as to bow it sees the referal taking sbape.

The main question investors will ask of Scottisb Power is what it intends to do with its likely casb surplus. Unlike the England and Wales companies it has not sought shareholder permission to buy hack shares.

Does it intend to make a large acquisition, perhaps buying one of the England and Wales regional companies? Or will it follow the example of East Midlands Electricity and provide a large special dividend.

South of the border similar questions will be put to Southern Electric and Yorksbire Electricity. Botb have approval to buy back shares hut have not yet done so.

Yorksbire's recent witbdrawal from a deal to buy a stake io Stockholm Energi could free up about £150m.

Most of the other regional companies can still effect buy backs since all but two, Midlands and Northern, have yet to reach the 10 per cent limits which have been approved.

Other topics of interest will include the regional companles' non-core activities, including retailing and contracting, in which some companies are struggling to make profits.

The main focus, bowever, will be on dividends. Opinions differ as to bow far tbe England and Wales companies dare go.

One theory is that with the regulatory review over and an election still probably two years away, the companies will throw off their inhibitions and pump out as much money as they can.

"The gloves are off," said Mr Nigel Hawkins, analyst at Hoare Govett, the securities bouse. "Cooveniently the Budget on November 29 pre-dates the [main] reporting season, so aggressive divideod announcements will not add to the clamour for tbe government to impose a savage one-off tax on tbe planned disposal of the National Grid."

Mr Kevin Lapwood, at Smith New Court, disagreed. "Tbe recs bave a political dilemma. Share buy hacks mean that some companies could push dividend increases per share, rather than total dividend payments, past 25 per cent.

"But companies have to be sensitive about what the Tories might do to them as a result of the Grid sale. MPs are acutely aware that a spot of rec-bashing could do them some good in the polls."

The Englisb generators both report next week with PowerGen on Tuesday and National Power on Tbursday. Their results are the last before the government sells its remaining 40 per cent boldings in February, so there will be more than usual interest.

Issues include tbe companies' diversification and thair attempts to try to sell up to 6,000MW of capacity hy the end of next year, as agreed with the regulator.

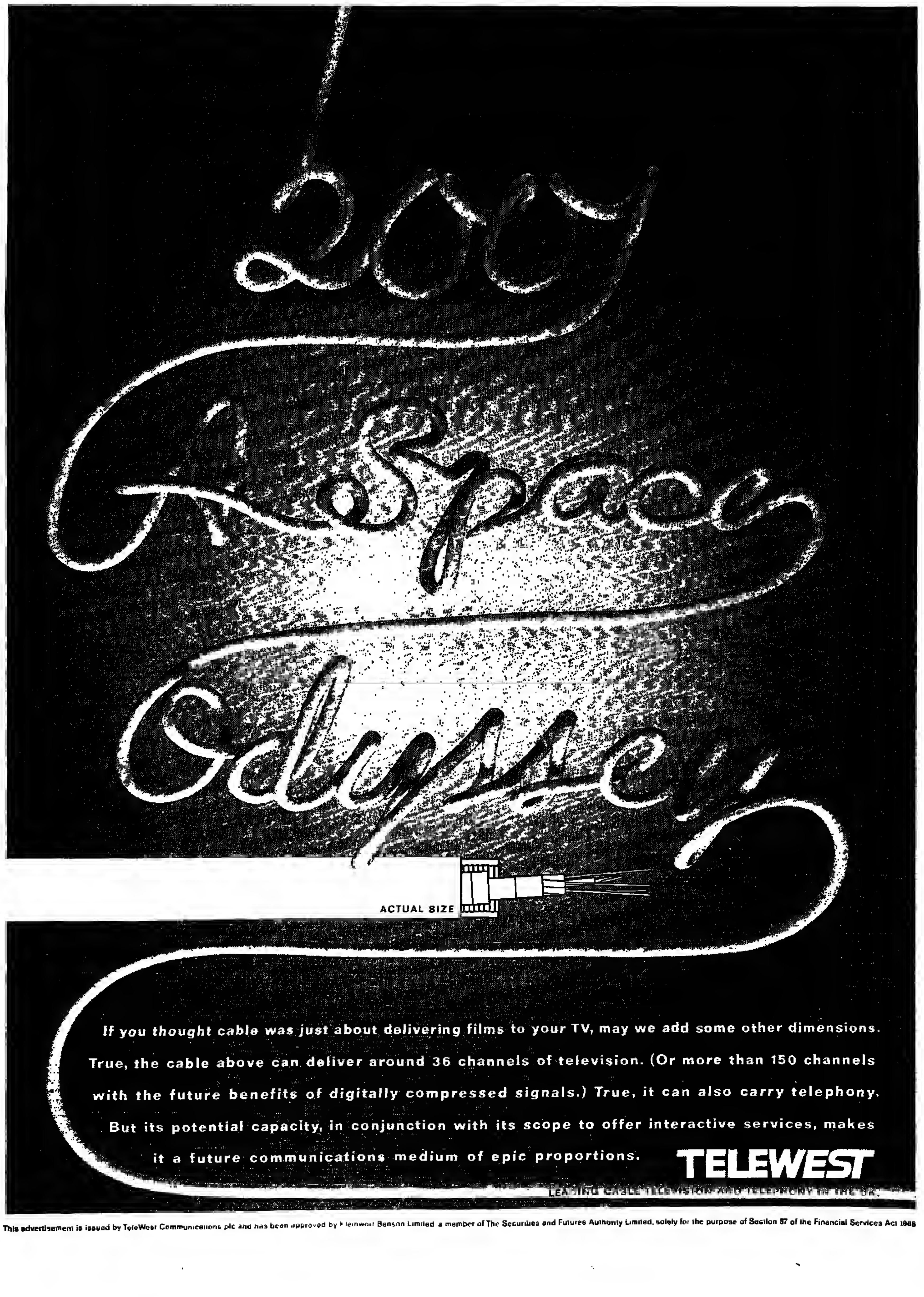
Northern Ireland Electricity, the last of the 17 companies to be privatised, is expected to show divideod growth of about 15 per cent. But this is the one company where dividends may taken second place to other issues.

The main interest will centre on the effects of the IRA ceasefire. Company engineers bave already been investigating the possibility of re-opening the interconnector witb the Irish Repuhlic.

ELECTRICITY COMPANIES: DIVIDEND FORECASTS

Interim Results date	Company	Forecast* range (p)	Previous	Percentage increase
Nov 10	Scottish Power	4.59	4.13	10.9
Nov 15	PowerGen	4.7	3.95	19.0
Nov 17	National Power	4.6	3.75	22.7
Dec 1	Seeboard	3.85	3.3	16.7
Dec 5	N Ireland	3.9	3.39	15.0
Dec 6	Midlands	8.6	7.65	15.0
Dec 7	Swalec	†11.0	7.5	46.7
Dec 8	Hydro-Electric	4.4	3.96	11.1
Dec 9	Norweb	7.7	6.7	14.9
Dec 12	Northern	8.6	7.4	16.2
Dec 12	Eastern	7.9	6.6	19.7
Dec 13	Southern	7.6	6.7	16.4
Dec 14	London	8.4	7.4	13.5
Dec 14	Manweb	6.1	7.0	15.7
Dec 15	South Western	6.1	7.0	15.7
Dec 16	Yorkshire	7.9	6.9	14.5
Dec 18	East Midlands	7.8	6.8	14.7

† Dividend "rebalanced" * Forecasts do not include scope for greater dividend enhancement following recent share buy backs. Source: SG Warburg and company annual reports.



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COMMODITIES AND AGRICULTURE

Former eastern bloc 'could pose food threat'

By Alison Maitland

Successful economic reforms in the former Soviet bloc could turn those countries into net food axporters and depress world food prices early in the next century, a report predicts today.

"If the policies that currently distort food markets are phased out, eastern Europe and the former Soviet Union would shift from a net food deficit to a surplus of 30m to 50m tonnes of food per year," says the report by the Washington-based International Food Policy Research Institute.

The study says international grain prices could drop by up to 20 per cent as food from the former communist bloc enters the world market.

Increased food production in eastern Europe conld upset predictions of higher world prices resulting from the Uruguay Round world trade agreement to reduce snbsidised exports by western European countries.

Lower world prices would burt both big exporting nations and poor farmers in developing countries, wbo would suffer if food imports become cheaper than domestic production, the report says.

The institute carries out research into sustainable food production, improved incomes and nutrition, and better agricultural trading conditions for developing countries.

"The majority of the world's poor subsist on agriculture and agricultural-related activities in the rural areas of developing countries," says the author, Mr Rod Tyers, an economics professor at the Australian National University.

"Cbeaper food would decrease the level of economic activity from whicb they earn their living."

His report highlights the impact of the sharp decline in consumer demand for meat in the former Soviet bloc, which has led to a fall in the number of cattle and pigs and cut the amount of imported grain needed to feed them.

"Thls change alone bas caused so substantial a reduction in net food Imports, it could potentially reverse tbe direction of the whole region's net food trade," It says.

Eastern European nations are expected to be self-sufficient in food by 2000 on average, a sharp turnaround from the 1980s when the Soviet bloc was a net food importer.

However, the report emphasises that tbe shift towards self-sufficiency and net exports of staple foods will take place only if collective farms are broken up into smaller, more efficient units aod if transport, processing and marketing systems are reformed successfully.

Economic Reform in Europe and the Former Soviet Union: Implications for International Food Markets. Available from IFPRI, 1200 Seventeenth Street NW, Washington DC 20036. USA.

Commission to investigate Australian sugar price 'war'

By Nikki Tait in Sydney

A review of Australia's sugar industry is to be undertaken by the Trade Practices Commission, the country's competition watchdog, following speculation that a sugar price war is being waged by Australian companies.

The TPC yesterday noted that "media reports have indicated that long-term sugar contracts are being executed by Australian companies at significant losses". This situation would be "unusual" in tbe sugar market and warranted investigation, the TPC said.

The move was welcomed by Mackay Refined Sugars, which alleges that CSR, traditionally the big player in the country's refinlng industry, bas emharked on "a dellherate strategy of selling refined sugar at below cost for a number of years forward". MRS is a joint venture between Mackay Sugar Co-operative Association and London-based trading house, E.D. & F. Man, and has established a new, low-cost refinery in Queensland.

MRS claimed that it was seen as "a threat to the established market refiners and in particular to CSR which has bistorically dominated tbe market". CSR, which originally hoped to establish a joint venture with MRS before encountering TPC opposition, said lt would co-operate fully.

"All onr sales of refined sugar, without exception, have above our costs of supplying the sugar concerned," it said.

● Jamaica's raw sugar production ls to be increased by 100,000 tonnes a year with an expansion ln the capacity of three of the island's larger mills, whicb were bougbt by a private company from the government earlier this year.

The Sugar Industry Company of Jamaica will spend US$70m over the next five years to rehabilitate the mills, bringing thelr aggregate output to 220,000 tonnes per year by the 1998-99 harvest. Their combined production this year was 120,000 tonnes.

The company will also rehabilitate the island's only sugar refinery, lifting annual production to 30,000 tonnes, and reducing the need for Jamaica to import whites. Jamaica's raw sugar production this year was 220,000 tonnes, and tbe industry is forecasting the next barvest to yield 240,000 tonnes.

Tea growers have mixed feelings on bumper harvest

By Kunal Bose in Calcutta

India, the world's biggest tea producer, is racing towards a record crop of anything up to 770m kg compared with 758.01m in 1993. By August the harvest had reached 466m kg, np 11.8m from the same stage last year.

Producers' associations have started thinking aloud, bowever, about whether tbey should be asking the tea estates to cut production in December, when in the north mostly common to inferior varieties are plucked. Last December's record production of 43.51m kg was one of the major factors behind the fall in tea prices from which the market has yet to recover.

It is still being debated to what level the December production of the gardens in the north and the south should be restricted. Moreover, even if the associations are able to reach an agreement on cutting production it is by no means certain that all the gardens, particularly the small ones, will fall into line.

According to the Tea Board officials: "The silver lining is that the tea companies today are mostly market driven. Seeing the premium available for quality tea, they are investing in the modernisation of plantations and tea-processing factories. Even the small, single garden tea companies in the south are making efforts to produce better tea".

The Indian domestic market, which is likely to grow to 585m kg from 578m kg last year, wants medium to good quality tea. The share of plainer and poor end-of-season varieties in the total tea production is to fall in the current year, even in the absence of an agreement on December production cuts.

In tbe elgbt months to August, Sri Lankan production rose 14.9m kg to 164.5m. In the same period, however, the Kenyan crop, hit by had weather, fell by 18.4m kg to 122.9m. While Bangladesb stepped up production by 1.9m kg to 31.2m, the Malawi crop was steady at about 28m kg and Indonesia's was reported to have suffered a setback.

By the end of August, world tea production bad reached 870.3m kg, up from 864.6m kg in the same period last year.

In 1993 world production, aided by strong growth in India, Sri Lanka, Kenya and Malawi and despite tbe crop sbortfall ln Indonesia, rose by 142.5m kg to 1.47bn.

As for India, the gardens in tbe nortb, including Assam, produced an extra 4.82m kg at 345.24m while those in the south harvested 120.67m kg, up 6.95m. In keeping with tbe trends ln recent years, tbe industry had further raised the production of CTC (cut, tear and curl) tea to 409.76m kg from 378.11m, while there was a drastic cut in production of orthodox tea to 52.16m kg from 72.27m kg. Green tea output was up marginally to 3.98m kg.

Orthodox tea sales have fallen as currency constraints hsve cut imports into former Soviet countries. "While we continue to face problems with shipments to Iran, Russia, traditionally the most important destinatioo for Indian tea, ts not buying eoough. The same is the case with the other CIS countries," said an exporter.

However, India is selling more tea to tbe UK, Ireland, the Netherlands and Poland.

Tbe rising production and the slow export offtake bave kept prices low at the Calcutta auction. The average for Assam leaf CTC up to the end of September was Rs50.84 a kilogram, against Rs53.30 in tbe same period last year.

Canadian companies get head start in race for Chinese gold

By Bernard Simon in Toronto

A company owned by American Barrick, the Toronto-based gold producer, and Power Corporation, the Canadian investment holding company, is close to finalising two gold exploration and development ventures with the China National Gold Corporation.

The letters of intent signed yesterday are part of an ambitious drive by the two Canadian companies, operating as Barrick Power Gold Corporation of China, to lead the modernisation and expansion of China's fragmented gold-mining industry.

Barrick Power, which is 75 per cent owned by Barrick and 25 per cent by Power, ls confident that it has a head start on other western mining companies in China. It has a staff of more than a dozen ln its Beijing office. CNGC agreed earlier this year to submit prospective gold-mining properties to Barrick Power for evaluation.

Under one of the proposed joint ventures, Barrick Power will acquire a 75 per cent stake and provide management, technology and financing for the Paishanlou project in Liaoning province. The venture will have an lnitial capital of US$40m. A pre-feaaibllity study, started earlier this year, envisages an open-plt mine producing 30,000 tonnes of ore a day, plus a 4,000 tonnes-per-day mill. Barrick Power said that further drilling was due to take place next year near the existing deposit and that a mining plan would ba completed by the end of 1995.

The second joint venture centres on the Changkeng deposlt in Guangdong province. Samples from this refractory deposit have already been tested at Barrick'a Goldstrike mine in Nevada, with "higb recovery rates".

Barrick Power said that it planned a "major" exploration programme at Changkeng in 1995 once the joint venture company had been set up.

Tbe annonncements coincided with a 400-strong trade mission to China led by Canada's prime minister Mr Jean Chretien.

MARKET REPORT

Coffee futures bounce ahead of Brazil's official crop estimate

London Commodity Exchange COFFEE futures prices leapt yesterday as traders took the view that Brazil's official crop estimate for 1995-96, expected today, might be at the lower end of the range of recent forecasts.

The January contract closed at $3,570 a tonne, $10 off the day's high but still $131 higher on balance, after Brazilian broker Woltbers and Associates predicted that the crop would be 13.95m bags (60kg each). On October 26 the Brazilian Government it made a preliminary estimate of 13m-15m bags.

Traders said the sudden move higher triggered stop-loss buying orders, especially just above $3,500 on the January contract. And the move higher was belped by a rumour highlighted in a Brazilian newspaper that the government was considering a 10 per cent export tax on coffee.

White SUGAR futures recovered earlier losses to trade at fresh four-year highs in late afternoon.

"Sentiment is still very firm," said one trader. "People are expecting the market to go even higher." He cited continued confusion over the future of the Russian/Cuban oil-for-sugar deal as one of the main bullisb factors.

At the London Metal Exchange BASE METALS prices recouped early losses and, aided by a strong rally in copper and aluminium, ended with most showing gains at the close.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	-9,400	to 1,982,450
Aluminium alloy	+520	to 26,120
Copper	-8,975	to 325,250
Lead	-125	to 369,450
Nickel	-144	to 150,276
Zinc	-1,600	to 1,216,675
Tin	-250	to 30,075

"A sharp correction was on the cards early today but they turned round qulckar than expected. I think a lot of the afternoon buying was short-covering," a trader said.

"These markets are still rather nervous but the [speculators] are not letting go. . . we could be testing the highs again soon," said another.

ALUMINIUM had dictated the early trend. News that extra matal from the US north-west might be available as a result of additional power and of a possible potline restart at Ghana's Valco sent prices lower.

But once the initial wave of selling had been absorbed an across-the-board fall in stocks, except for aluminium alloy, was the signal for buyers to return and movements became rather choppy.

Quality buying and short-covering helped lift the GOLD prices after a bearish start.

A firmer opening in New York also contributed as the London bullion market price rose $2.05 to close at $385.10 a troy ounce. But resitance appeared to be capping the recovery, a dealer said.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1839-40	1855-56
Previous	1840-1	1861-2
High/low	1831.5/1830	1868/1818
AM Official	1831-31.5	1847-8
Kerb close		1866-9
Open int.	261,596	
Total daily turnover	71,868	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1820-25	1850-63
Previous	1856-60	1880-2
High/low		1855/1835
AM Official	1800-10	1845-50
Kerb close		1855-65
Open int.	2,914	
Total daily turnover	556	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	667-68	683.5-84.0
Previous	668.5-9.5	684-4.5
High/low	670	685/680
AM Official	669-70	684.5-85.0
Kerb close		683-685
Open int.	43,840	
Total daily turnover	15,585	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7345-55	7465-70
Previous	7420-30	7540-5
High/low	7360	7500/7380
AM Official	7360-65	7476-79
Kerb close		7490-500
Open int.	72,186	
Total daily turnover	18,400	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6160-70	6265-80
Previous	6150-60	6240-50
High/low		6290/6160
AM Official	6170-75	6255-60
Kerb close		6250-60
Open int.	20,696	
Total daily turnover	5,688	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1151.5-52.5	1174-75
Previous	1151-2	1172-3
High/low		1177/1160
AM Official	1145.5-46	1168-68.5
Kerb close		1176-7
Open int.	108,679	
Total daily turnover	24,038	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2707-11	2660-64
Previous	2710-1	2687-8
High/low	2724/2722	2695/2659
AM Official	2722-23	2688-89
Kerb close		2689-90
Open int.	220,291	
Total daily turnover	79,653	

■ LME AM Official £/$ rate: 1.6155
LME Closing £/$ rate: 1.6186

Spot:1.6220 3 mths:1.6208 6 mths:1.6186 9 mths:1.6161

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open Int	Vol
Nov	124.45	-0.60	126.25	124.30	1,378	217
Dec	123.90	-0.15	126.00	123.60	38,328	9,172
Jan	123.00	-0.05	124.45	124.45	932	50
Feb	122.10	+0.85	-	-	585	4
Mar	121.20	+0.85	122.80	120.75	10,262	1,264
Apr	119.85	+0.15	-	-	708	0
Total					60,910	11,695

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	384.90-385.30	
Opening	382.00-382.40	
Morning fix	383.10	237.243
Afternoon fix	384.65	237.541
Day's High	385.30-385.70	
Day's Low	382.00-382.40	
Previous close	382.90-383.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....4.60 6 months 5.24
2 months ....4.88 12 months 5.61
3 months 4.91

Silver Fix	p/troy oz.	US cts equiv.
Spot	322.35	520.65
3 months	327.20	528.10
6 months	332.20	535.45
1 year	344.85	553.90

Gold Coins	$ price	£ equiv.
Krugerrand	384-387	238-241
Maple Leaf	385.45-387.95	
New Sovereign	89-92	55-58

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

SOFTS

■ COCOA LCE (£/tonne)

[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

Minor Metals

[illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Nov 8	Nov 7	month ago	year ago
2110.2	2108.6	2058.5	1813.8

■ CRB Futures (Base: 1967=100)

Nov 7	Nov 4	month ago	year ago
233.01	233.52	227.93	218.28

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jan	Apr	Jan	Apr
1825	92	131	53	81
1850	79	118	65	93
1875	67	106	78	105
■ COPPER (Grade A) LME	Jan	Apr	Jan	Apr
2650	114	106	66	135
2700	88	88	86	164
2750	66	71	113	166
■ COFFEE LCE	Jan	Mar	Jan	Mar
3400	285	388	138	273
3450	277	363	159	298
3500	250	339	182	324
■ COCOA LCE	Dec	Mar	Dec	Mar
825	17	66	8	31
950	6	52	22	42
976	2	41	43	56
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1650	66	73	1	49
1700	15	48	9	76
1750	5	33	39	107

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Dec)		+or-
Dubai	$15.85-6.05z	+0.085
Brent Blend (dated)	$17.49-7.61	-0.040
Brent Blend (Dec)	$17.23-7.25	
W.T.I. (1pm est)	$18.30-8.32z	

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$172-175	-5
Gas Oil	$156-157	+1
Heavy Fuel Oil	$100-102	
Naphtha	$169-170	-1
Jet fuel	$179-181	-1.5
Diesel	$161-162	

Petroleum Argus. Tel. London (071) 359 8792

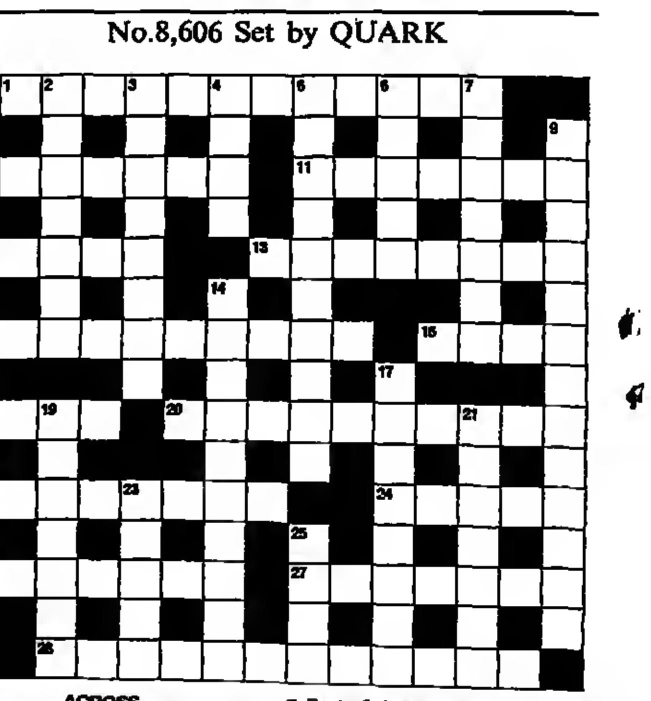
■ OTHER		
Gold (per troy oz)♣	$385.10	+2.05
Silver (per troy oz)♣	526.5c	+2.0
Platinum (per troy oz.)	$410.75	-2.25
Palladium (per troy oz.)	$157.00	-1.00
Copper (US prod.)	130.0c	-3.0
Lead (US prod.)	40.75c	
Tin (Kuala Lumpur)	15.50c	-0.36
Tin (New York)	286.0c	
Cattle (live weight)†	116.53p	-0.19*
Sheep (live weight)†♠	100.91p	+2.95*
Pigs (live weight)	76.54p	+0.77*
Lon. day sugar (raw)	$330.30	+1.70
Lon. day sugar (wte)	$376.90	+6.40
Tate & Lyle export	£317.00	+1.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	132.0	
Wheat (US Dark North)	165.0	
Rubber (Dec)¥	[illegible]	[illegible]
Rubber (Jan)¥	[illegible]	[illegible]
Rubber (KL RSS No1 Jul)	[illegible]	[illegible]
Coconut Oil (Phil)§	[illegible]	[illegible]
Palm Oil (Malay)§	[illegible]	[illegible]
Copra (Phil)§	[illegible]	[illegible]
Soyabeans (US)	[illegible]	[illegible]
Cotton Outlook'A' index	[illegible]	[illegible]
Wooltops (64s Super)	[illegible]	

[illegible]

JOTTER PAD

CROSSWORD

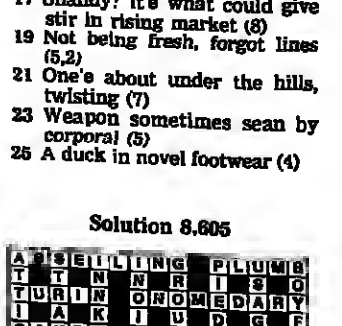
No.8,606 Set by QUARK



ACROSS
1 Hoose, bome or kerb damaged? Medlator required (5,6)
10 Record that is about different times (7)
11 ie codes decipbered, see (7)
12 Alright with a dutiful animal? (5)
13 Ambitloue person wlth energy – ooe to absorb gas (2-6)
15 The bead's only just seen over this leisure wear (10)
16 Unspoken demand (4)
18 The man's io a whirl (4)
20 Supply alr reports for gas-mask (10)
22 Outside layer for one bowled finally after record (8)
24 Short time in transport returning for the plant (5)
26 Rebel goes to New Zealand by a special passage (7)
27 The runner arrived in yesterday in France (7)
28 Fix at an earlier time? (12)

DOWN
2 One pair could be for the outside (4,3)
3 Priest's unusually glib English is acceptable (8)
4 Piles of sand in the river? (4)
5 Medlum's print for examination by special radiation (10)
6 Monetary unit in Caen or Kiel turned up (5)
7 Part of the green terrain to go through again (7)
8 Avoid making decision; one needs balance to do it (3,2,3,5)
9 One devouring the crawlers in the office? (9,4)
14 Puts underground gallary across US borders? (10)
17 Shandy? It'e what could give stir ln rising market (8)
19 Not being fresh, forgot lines (5,2)
21 One'e about under the hills, twisting (7)
23 Weapon sometimes sean by corporal (5)
25 A duck in novel footwear (4)

Solution 8,605



LONDON STOCK EXCHANGE

MARKET REPORT

Wall Street strength prompts rally in London

By Steve Thompson

London's equity market fought back strongly from a dismal opening, shrugging off another bout of intense speculation of an imminent UK base rate rise. It responded immediately to a good opening performance from Wall Street ahead of the first news from the congressional mid-term elections for both houses.

The recovery trend in London was boosted by a spate of well received trading reports from some of the UK's leading companies, such as Marks and Spencer, British Airways and Anglian Water.

At the close of trading, the FT-SE 100 Index had almost erased an earlier 17.4 fall, ending the session only 2.0 down at 3,063.8. The FT-SE Mid 250 Index, which again put on a much more resolute performance than its senior index, closed just marginally off, down 0.4 at 3,519.7.

Dealers in the second liners said the trading session was "tedious" and activity remained at minimal levels.

Senior traders in London expect a good opening from the London market this morning, following a strong finishing run by international bond markets. UK gilts, down around ⅛ early in the session, gradually improved to close ahead on balance. German bunds were better on the day and the long bond in the US was up around half a point as London closed.

At the same time, the Dow Jones Industrial Average, which opened under pressure, rallied strongly to show a gain of more than 22 points.

UK equities opened in reasonably good shape with the FT-SE 100 up almost 4 points at the outset, traders reassured by the resolute showing by US bonds and equities in the face of continued nervousness about the US elections.

But the market suddenly lurched downwards as the futures market opened and the rumours of a UK interest rate rise swept the market. Although these stories were quickly rejected, confidence remained severely dented until shortly after midday when dealers responded to a trickle of US-sourced buying ordars, always a sure sign of a steady opening on Wall Street.

The FT-SE 100 clawed back most of its earlier losses and was showing a fall of 5 points as Wall Street opened, gradually improving to end 2 points off.

The lack of genuine customer business remained one of the main talking points. Turnover reached 589.8m shares at the close, well up from Monday's 398.8m, but a figure that still prompted widespread dismay among brokers and marketmakers. Monday's total managed to produce just above £1bn of customer business. Non-Footsie volume accounted for 369.9m, or 63 per cent of yesterday's turnover.

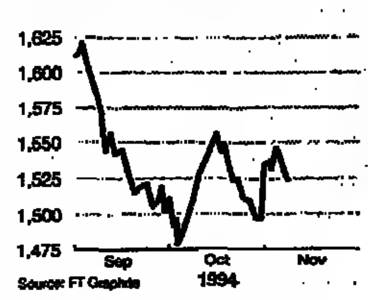
A dealer at one of the top UK securities houses was impressed by the market's resilience as it dipped through 3,055 on the FT-SE 100. "The futures boys had a real go at driving the market below 3,055 but could not keep it there. The fact that we closed well clear of that level augurs well in the short term." He said a half-point rise in the US Fed Funds rate was already in the market. Lack of movement from the Federal Reserve after next Tuesday's FOMC meeting would be viewed as weakness and would probably trigger a sharp sell-off in international markets.

S.G. Warburg was the FT-SE 100's biggest winner yesterday, the shares responding to the expected sharp decline in interim profits and, late in the session, revived speculation that JP Morgan, the US investment bank, may be taking another hard look at it.

There was intense speculatinn that Cazenove, the stockbroker, had attempted to place 30m Pilkington shares, around 2.5 per cent of the issued capital, at 190p but failed to find buyers for the stock.

Marks and Spencer and British Airways attracted strong interest after delivering excellent results and double-digit dividend increases.

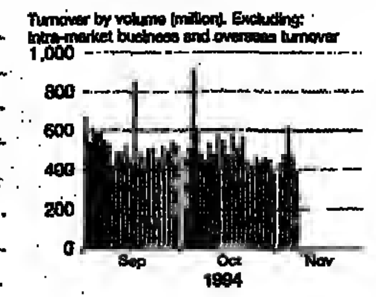
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE 100	3063.8	-2.0	FT Ordinary index	2348.5	+2.3
FT-SE Mid 250	3519.7	-0.4	FT-SE-A Non Fins p/e	16.61	(16.62)
FT-SE-A 350	1538.4	-0.8	FT-SE 100 Fut Dec	3071.0	+10.0
FT-SE-A All-Share	1524.42	-0.77	10 yr Gilt yield	8.78	(8.81)
FT-SE-A All-Share yield	3.97	(3.97)	Long gilt/equity yld ratio:	2.23	(2.23)

Best performing sectors		Worst performing sectors	
1 Other Financial	+0.9	1 Telecommunications	-0.8
2 Transport	+0.7	2 Media	-0.6
3 Diversified Inds.	+0.7	3 Household Goods	-0.8
4 Merchant Banks	+0.5	4 Property	-0.8
5 Spirits, Wines & Cider	+0.5	5 Breweries	-0.6

Insurers active on switching

Leading life assurance companies saw exceptionally heavy trade yesterday as a technical view on relative performance clashed with the attitude towards long-term prospects.

Saveral leading securities houses had noted that Legal & General had underperformed the broad market by 5 per cent over the past month, while Prudential had outperfnrmed by the same amount.

However, heavy switching was counterhalanced by the feeling that L&G was more prone to regulatory changes surrounding the selling of pensions. And the "feel bad factor" was compounded by Tuesday's news that its US subsidiary faces an $8.7m fine.

The chartists won the day. L&G gained 3 at 431p on turnover of 7.9m, while Prudential slipped a penny to 320p on unusually high trade of 13m.

Warburg volatile

Merchant bank S.G. Warburg saw its shares whip around in an ntherwise dull market as the effect of poor figures was offset by takeover talk and a large market deal.

The shares were down 5 initially. Warburg reported first-half profits down at £62.5m from £148.8m previously. But the bank had warned in early October that they would be badly affected by the global slump in bends and the fall had no substance to it so the price began to recover.

Then, whispers resurfaced that a US investment bank was interested in making an offer for the UK bank. Also, one dealer crossed a line of half a million shares at 635p, well above the market price, and the underlying price leapt forward to close a net 20 higher at 629p.

M&S caution

Caution about second-half trading from high street retailer Marks and Spencer saw shares in the group surrender an early advance that followed the release of favourable interim figures.

Profits rose 15.1 per cent to £354m, beating the most optimistic of the market's fnrecasts, and the stock initially rose to 413p. However, the company hinted that the market should not to be over-optimistic about the second half.

Researchers pointed to uncertainty over Sunday trading, and lnwer than expected sales in wnmen's ctothing because of continued mild weather. The general tone remained positive and BZW, which held its full-year forecast at £970m, retained the stock as a core holding in the sectnr. The shares closed 5½ off at 404p after heavy trading of 8.7m.

Elsewhere, Boots ended 3 ahead at 520p following a press report that it was about to accept an offer of nearly £900m for its pharmaceuticals division from BASF, the German chemicals group.

SmithKline Beecham remained in positive territory as Goldman Sachs reiterated its positive stance nn the stock. The US investment hank believes that the effect of the US patent expiry of Tagamet is entirely discounted in the current share price. SmithKline ended a penny up at 409p.

Pilkington, the world's biggest glass maker, slipped 3 to 192p, with dealers saying that Cazenove attempted but failed to place some 30m shares.

Composite insurer Commercial Union held its ground ahead of third-quarter figures today as Smith New Court cited it as its preferred stock in the sector. The shares firmed slightly to 543p, although a number of analysts expect CU's exposure to a weak London market to result in disappointing figures.

Insurance broker Lloyd Thompson fell 16 to 176p after the group announced that its main subsidiary has been named as a defendant in legal proceedings.

Continued speculation that Unigate was about to sell its 34 per cent holding in Nutricia, the Dutch food company, boosted the shares 3 to 354p.

Associated British Foods succumbed to switching into conglomerate Tomkins. The former closed 10 down at 547p, while the latter gained 4 at 215p in husy trade of 6.9m.

Bumper second-quarter profits put some thrust behind British Airways, sending full-year profit estimates racing upwards and lifting the shares 8 to 365p in 5.6m turnover.

The statement made gloomy allusions to USAir, but it was the rapid progress within the underlying business that captured analysts' imaginations.

UBS upgraded their 1994-95 forecast by £29m to £439m and are confident that the airline – following the 10 per cent interim payout increase – will pass some of the goodwill on to shareholders via a chunky final dividend.

Anglian Water helped stir up the water sector, jumping to 541p on news of rohust interim results and dividend before lapsing back to 534p, down 4 on the day. Hoare Govett is looking for £225m this year, up from an earlier £213m estimate.

Hoare Govett also expects strong interims from Northumbrian Water tomorrow. But given its solid earnings cover, the main focus is likely to be on Northumbrian's dividend. The company has French-owned North East Water as a neighbour and some brokers see takeover fears putting some real zing into Northumbrian's dividend this year. The shares lost 4 at 705p.

News that British Aerospace and GEC had negotiated an agreement not to bid for each other until July 1995 added fresh impetus to the VSEL takeover saga. BAe slipped 2 to 452p, shading the value of its all-share offer for VSEL to 1243p a share. GEC has a cash bid on the table worth 1400p.

VSEL closed 12 lnwer at 1358p, which suggests that the halance of probabilities – at this stage – lies with the GEC deal not facing a monopolies reference. Equally, the betting among analysts yesterday was that BAe will come up with an increased offer later this month.

Several stocks in the property sector were hurt hy a property hulletin from James Capel entitlad "mid-term blues". MEPC lost 5 at 415p and British Land relinquished 6 to 382p, after the hroker said: "The rating of MEPC ahead of its finals allows for no disappointment. In spite of its dividend support we would be sellers and would sell the stock to below 400p. Equally, the rating of British Land is very forward looking, with little yield support."

Oil recovery group Greenway rose 5 to 98p as it was appreciated that interim profits were substantially higher once the boost from a one-off disposal had been discounted.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Jeffrey Brown.

■ Other statistics, Page 22

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (23).
DISTRIBUTORS (3) Adam & Harvey, Finelist, Wilshaw, ELECTRNC & ELECT EQUP (4) Magnum Power, Tadpole Technology, Telspec, Thorpe (FW), ENGINEERING (2) Elliott (B), Lincat, EXTRACTIVE INDS (1) Caledonia, INVESTMENT TRUSTS (1) LEISURE & HOTELS (2) David Lloyd, VCI, MEDIA (1) Chiltern Radio, OTHER FINANCIAL (1) Edinburgh Fund Managers, OTHER SERVS & BUSNS (2) Greenway, Plantation & General, PRTNG, PAPER & PACKG (2) Jarvis Porter, Wyndeham Press, SUPPORT SERVS (3) Capitol, Computer People, Trace Computers, WATER (1) South Staffs.
NEW LOWS (85).
BANKS (1) Mitsubishi, BUILDING & CNSTRN (4) Avonside, Bonner Homes, Galliford, Westport, BLDG MATLS & MCHTS (2) Explaura, Heywood Williams Prf., DISTRIBUTORS (2) Headlam, Reece, DIVERSIFIED INDLS (5) BTR Wrts. 1994/95, Do Wrts. 1995/96, Do Wrts. 1996, Kvaerner B, Suter Wrts., ELECTRNC & ELECT EQUP (1) Riva, ENGINEERING (4) GBE Intl., Rotork, Rubicon, Victaulic, EXTRACTIVE INDS (2) Emperor, Sipa, FOOD MANUF (3) Bensons Crisps, Everest, Pascoe's, HEALTH CARE (4) AAH, Associated Nursing Servs., ML Laboratories, Polartechnics, HOUSEHOLD GOODS (1) NWP Intl., INVESTMENT TRUSTS (17) INVESTMENT COMPANIES (2) Biotech Prf., Wainbornes, LEISURE & HOTELS (4) Airtours 6¼p Prf., Alpha Airports, Magnolia, Prism, LIFE ASSURANCE (1) Utd. Friendly B, OIL EXPLORATION & PROD (1) Coplex, OTHER FINANCIAL (1) IAF, OTHER SERVS & BUSNS (1) Leigh Interests, PHARMACEUTICALS (1) Novo Nordisk B, PRTNG, PAPER & PACKG (2) API, Bolton, PROPERTY (4) Bickby, Bradford, Harmony, PSIT, RETAILERS, FOOD (2) Dairy Farm Intl., Shoprite, RETAILERS, GENERAL (8) Beattie (J) A, Essex Furniture, Fine Art Devs., Oriflame Intl., Partridge Fine Arts, WEW, SPIRITS, WINES & CIDERS (2) Merrydown, Seagram, SUPPORT SERVS (2) Capita, JBA, TEXTILES & APPAREL (4) Alexandra Workwear, Baird (W), Parkland, Readicut, TRANSPORT (2) Sea Containers B, Vard AS, AMERICANS (3) Dana, Dun & Bradstreet, Time Warner, CANADIANS (1) Toronto-Dominion Bank.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures mostly marked time in line with the cash market, drifting slightly higher in continued low trading volume, writes Jeffrey Brown.

There were 10,862 contracts, up from 8,091 on Monday. But some 2,000 of this was spread trading as investors moved from the December to the March contract, so underlying volume was little changed.

At the official 4.10pm close the FT-SE 100 December contract had clawed back above the 3,070 critical chart level to end at 3,072, up 11 points. The premium to the cash market was 10 points, with fair value around 7.5 points.

There was some excitment in the early morning when the market appeared to take a serious run at cash equities on the back of rumours of an imminent rise for base rates. But this fizzled out by mid-morning and the sessinn took on a slightly unreal atmosphere with very little business being done either way.

However, sentiment picked up towards the close, with Wall Street showing signs of a strong rally, and traders were hopeful of continued upward momentum today.

Turnover in traded options rose to 28,478 lots after 21,113 on Monday. FT-SE and Euro FT-SE business totalled 16,500 lots. Lonrho stood out among individual stock options with 4,230 dealt. Cable and Wireless and ICI were active.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3068.0	3071.0	+16.0	3079.0	3048.0	11421	54718
Mar	3073.0	3089.5	+9.0	3086.0	3073.0	1980	3969
Jun		3111.0	+9.0			0	80

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		3525.0	-			0	4168

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3530.0	-	-	-	-	0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3061) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Nov	173½	3½	127	7½	83½	15	48	30½	23	57	9½	95	3½	144	1	197½
Dec	194½	22½	158	33½	120½	48½	89	68½	61½	93½	41½	124	26½	161	18	201½
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	212
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	219½
Jun†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 7,785 Puts 7,520

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	158
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	172
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	187
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	203
Jun†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	216½

Calls [illegible] Puts [illegible] † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3400	3500	3550	3600	3650	3700	3750
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls & Puts [illegible] Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Nov 8	Day's chge%	Nov 7	Nov 4	Nov 3	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3063.8	-0.1	3065.8	3097.6	3104.4	3096.0	4.16	7.12	16.57	111.98	1162.94
FT-SE Mid 250	3519.7	[illegible]	3520.1	3534.5	3530.6	3439.8	3.56	5.61	20.79	113.31	1315.85
FT-SE Mid 250 ex Inv Trusts	3521.7	[illegible]	3522.3	3534.2	3530.3	3441.3	3.72	6.28	18.37	117.70	1313.61
FT-SE-A 350	1538.4	-0.1	1539.2	1552.2	1555.2	1543.0	4.02	6.62	17.38	54.71	1194.38
FT-SE SmallCap	1776.24	[illegible]	1778.71	1781.73	1780.28	1773.67	3.32	5.01	25.16	50.62	1384.78
FT-SE SmallCap ex Inv Trusts	1748.23	[illegible]	1748.66	1750.90	1749.67	1760.76	3.52	5.57	22.96	52.65	1365.74
FT-SE-A ALL-SHARE	1524.42	-0.1	1526.10	1539.05	1540.02	1528.48	3.97	6.69	17.78	53.48	1203.65

■ FT-SE Actuaries All-Share

	Nov 8	Day's chge%	Nov 7	Nov 4	Nov 3	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20 GEN MANUFACTURERS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 CONSUMER GOODS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 SERVICES	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60 UTILITIES	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 NON-FINANCIALS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 FINANCIALS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80 INVESTMENT TRUSTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89 FT-SE-A ALL-SHARE	1524.42	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pharmaceuticals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,300	323½	+2½
ASDA Group†	7,700	62½	
Abbey National†	1,200	412	+1
Albert Fisher	1,400	42½	-½
Allied Domecq†	1,300	597	+6
Anglian Water	868	534	-4
Argos	234	335½	+½
Argyll Group†	2,800	262	+½
[illegible]	[illegible]	[illegible]	[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	23	33	15
Other Fixed Interest	8	2	3
Mineral Extraction	28	82	86
General Manufacturers	118	124	395
Consumer Goods	41	40	106
Services	74	86	335
Utilities	7	28	6
Financials	55	112	197
Investment Trusts	48	75	342
Others	33	42	37
Totals	434	624	1525

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	November 7	Expiry	February 2
Last Dealings	November 18	Settlement	February 23

Calls: Amstrad, Crossroads Oil, Hewtin, Kunick, Magnum Power, Ramco Energy, Scotia Hldgs, Shoprite Pref, Tullow Oil, Verson Intl, Waverley Mining. Puts: Crossroads Oil, Waverley Mining. Puts & Calls: Glaxo, Ramco Energy.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL TIMES EQUITY INDICES

	Nov 8	Nov 7	Nov 4	Nov 3	Nov 2	Yr ago	High	Low
Ordinary Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ord. div. yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Earn. yld. % full	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P/E ratio net	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P/E ratio nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT Ordinary Share index base date 1/7/35. ‡Corrected values.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2350.8	2336.2	2340.1	2341.0	2341.9	2341.3	2345.8	2348.5	2346.1	2350.9	2335.3

	Nov 8	Nov 7	Nov 4	Nov 3	Nov 2	Yr ago
SEAQ bargains	22,075	21,785	23,845	23,925	19,193	28,765
Equity turnover (£m)†	-	1063.7	1083.9	1785.8	1199.8	1506.0
Equity bargains†	-	24,322	27,889	27,391	27,522	32,142
Shares traded (ml)†	-	398.8	466.0	622.4	471.5	656.2

†Excluding intra-market business and overseas turnover.** Following technical problems corrections have been made to published PE Ratio net values, for corrected values please fax on 071-873-3090.

FT GOLD MINES INDEX

[illegible]	[illegible]	[illegible]	[illegible]

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LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or –	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£22$\frac{1}{2}$	+$\frac{1}{8}$	£25$\frac{1}{4}$	£19[illegible]	6,753	5.0	ф
ANZ A$		173	—	278$\frac{1}{2}$	171	2,302	5.4	28.6
Abbey National	†N□	412	+1	523	390$\frac{1}{2}$	5,405	4.7	13.8
Allied Irish I£	†N□	252	-5	314	233	1,679	5.8	9.7
Anglo Irish I£	N□	65	—	*70	50	182.7	7.7	10.2
Asahi Y	□	681$\frac{1}{2}$	+12$\frac{1}{2}$	819$\frac{1}{4}$	628	15,816	0.7	ф
Banco Bil Viz Pta	□	£16$\frac{1}{2}$	-$\frac{1}{16}$	£[illegible]	£14$\frac{1}{2}$	3,762	4.0	7.5
Banco Sant Pta		£27$\frac{1}{2}$	—	*£30$\frac{1}{2}$	£23$\frac{1}{4}$	4,094	5.3	9.5
Bk Ireland I£	□	285	-1	*318	246	1,352	4.6	6.3
Bank Scotland	†N□	289xd	-1	247	172$\frac{1}{2}$	2,282	3.2	11.6
9$\frac{3}{4}$pc Pf		107xd	+$\frac{1}{2}$	141$\frac{1}{2}$	106	107.0	16.8	–
9$\frac{1}{4}$pc Pf		112$\frac{1}{4}$xd	+$\frac{1}{4}$	140$\frac{1}{2}$	111$\frac{1}{4}$	112.2	10.9	–
Barclays	†N□	588	+2	640	487	9,600	3.5	16.2
Dai Ichi Kan Y	□	£11$\frac{1}{2}$	+$\frac{1}{8}$	£12[illegible]	£10$\frac{1}{2}$	34,782	0.8	–
Deutsche DM	□	£300[illegible]	[illegible]	£344$\frac{1}{4}$	£270$\frac{1}{2}$	14,327	2.2	–
Espirito Santo	□	£9$\frac{1}{2}$	[illegible]	*£13$\frac{1}{2}$	£7$\frac{1}{2}$	181.7	4.4	4.4
First Nat Fin	N□	67	—	*80	60	113.1	2.8	–
6.3pc Cv Pf		71	—	*90	70	4.77	11.1	–
7pc Cv Pf		125$\frac{1}{2}$	—	171	123	59.6	7.8	–
Fuji Bank Y	□	1337$\frac{1}{2}$	-6$\frac{1}{2}$	1548$\frac{1}{4}$	1132$\frac{1}{2}$	38,767	0.4	ф
HSBC HK	†N□	723xd	-1	1133	680	12,852	4.2	10.5
HSBC (75p Stg)	†N□	727$\frac{1}{2}$xd	-1$\frac{1}{2}$	1113	680	8,749	4.2	10.4
Lloyds	†N□	567	-5	650	516	7,254	5.1	11.2
Mitsubishi Y	□	£14$\frac{1}{2}$	-$\frac{1}{8}$	£[illegible]	£14$\frac{1}{2}$	41,825	0.4	ф
Mits Tst & Bk Y	□	831$\frac{1}{2}$	-5	1162$\frac{1}{4}$	687$\frac{1}{2}$	11,163	0.5	14.7
Mitsui Tst & Bk Y	□	678$\frac{1}{4}$	-6$\frac{1}{2}$	879	614	8,126	0.8	22.8
Nat Aust A$	†	485	-1	620$\frac{1}{4}$	472	6,402	5.7	16.4
NatWest	†N□	502	-2	622	421	8,589	4.5	8.3
Ottomane FFr		£21$\frac{1}{4}$	—	£33	£21$\frac{1}{4}$	108.8	0.7	ф
Ryl Bk Scotland	†N□	453	+4$\frac{1}{2}$	528	377$\frac{1}{2}$	3,629	3.3	20.5
Sakura Y	□	£[illegible]	[illegible]	£[illegible]	£8[illegible]	27,661	0.8	51.4
Sanwa Y	□	£12[illegible]	+$\frac{1}{8}$	£15$\frac{1}{4}$	£11$\frac{1}{2}$	38,677	0.6	–

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29½	—	£30	£13½	1,992	2.5	21.7
Barlow	Z	94½	-½	95½	£3¼	969.9	0.7	-
Gold Flds Prop R		178xn	—	128	75	12.1	7.8	⊕
MK Props		98	—	99	68	3.82	12.5	-
SASOL	♥	523	-33	582	280	3,063	2.8	-
SA Brews		£15⅞	-1½	£18½	810	4,288	1.8	25.1
Tiger Oats	†	686	—	638	536	1,031	2.3	14.9
Tongaat-Hulett	b	676	—	*695	356¼	615.2	1.9	19.9

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⊕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ⁂ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment.
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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Jupiter Tyndall (Bermuda) Ltd

Orion Fund Limited

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Lazard Fund Mngrs (Channel Islands) Ltd
PO Box 275, St. Peter Port, Guernsey, C.I. 0481 710461

Lazard Select Investment Trust Ltd

Lloyds Intl Money Market Fund Ltd
Sarnia Hse, Le Truchot, St Peter Port 0481 724983

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd
Po Box 61, St Peter Port Guernsey 0481 726268

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port

Royal Bk of Canada O/S Fd Mgrs Ltd

Sarasin Funds Mngt (Guernsey) Ltd

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IRELAND (SIB RECOGNISED)

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CURRENCIES AND MONEY

MARKETS REPORT

US elections keep dollar in narrow trading range

The dollar yesterday again traded in a narrow range as the market sat on its hands awaiting the result of the US mid-term congressional elections, *writes Philip Gawith.*

Traders said, however, that next week's meeting of the policy-making Federal Open Markets Committee would be more important for the US currency.

The dollar finished in London at DM1.5097, from DM1.5172, and at Y97.005, from Y97.31. It has slipped back over the past two days from the levels it reached at the end of last week, in the wake of supportive intervention by the US Federal Reserve.

With no important data releases, little comment of note, and the uncertainty of US elections and the impending FOMC meeting, foreign exchange activity was extremely subdued.

In Europe, the D-Mark was stronger against most currencies, helped by political worries in countries like France and Italy, and uncertainty surrounding European Union membership in Sweden and other Scandinavian countries. It closed at FFr3.436 against the French franc from FFr3.427.

The trade weighted sterling index finished at 80.5 from 80.6. The pound finished at DM2.4432 against the D-Mark, about a pfennig lower than a week ago.

■ The general market view is that the congressional elections ought not to have too much impact on the dollar. Insofar as they do, it is likely to be negative. Mr Rob Hayward, economist at the Bank of America in London, said the possibility of Republican gains leaving Mr Clinton a lame-duck president would be bad news for the dollar.

Also damaging for the dollar is the growing perception that last week's intervention was politically motivated, designed only to ensure that the Democrats did not contest yesterday's election against the backdrop of a falling dollar.

"The market's view is that if the dollar weakens after the results, the Fed will be less inclined to intervene," said Mr Hayward. There were already indications that the market was again testing the downside on the dollar.

Mr Robert Thomas, currency strategist at Natwest Markets, commented: "People are waiting for decisive action. It's not the elections that are going to be relevant. It's what the Fed does next week."

"The market has hyped itself into the view that it needs to get more than a 50 basis points rise in rates, and it must be doubtful it is going to get it."

"The Fed has got to do something dramatic, or the need to do something dramatic has to be seen not to be there," said Mr Thomas. "But the market is not prepared to give the Fed the benefit of the doubt."

The potential upside for the dollar, he said, lay in US short term rates rising above German short rates. "Historically that has always been good for the currency whose rates are rising," said Mr Thomas.

Mr Chris Turner, currency strategist at BZW, said the presentation of a monetary tightening was probably as important as its scope. He said the Fed's statement last time it raised rates, that another tightening would not be necessary for some time, may have undermined the effectiveness of higher rates.

■ Probably the main mover on the day was the Philippines peso, which rose by three per cent to an intra-day high of 23.52 pesos, against the dollar, from Monday's close of 24.2 pesos.

Mr John Davitte, emerging markets analyst at IDEA in London, said the peso had been buoyed by strong capital inflows into the stock-market, and remittances from foreign based Filipino workers.

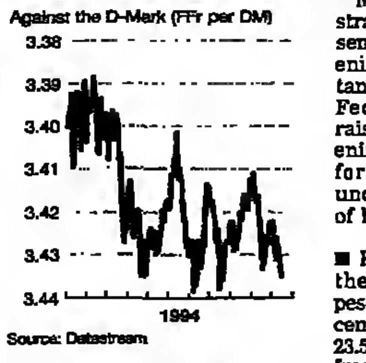
Two other factors helping the peso recently have been less assertive central bank intervention, to curb the currency's rise, and strong economic fundamentals. Economic growth is expected to be 5-6 per cent this year.

Mr Davitte issued a note of caution, however, saying that the central bank would be unlikely to allow the peso's rise, from around 26 pesos early last month, to continue unhindered. Indeed, President Fidel Ramos announced yesterday that forward foreign exchange cover on oil imports was being scrapped in an effort to halt the peso's rise.

■ The Bank of England provided £680m late assistance, and £437m help at established rates, in its daily money market operations. The shortage was forecast at £1.15bn.

French franc

Against the D-Mark (FFr per DM)



Source: Datastream

■ Pound in New York

Nov 8	—Latest—	– Prev. close –
£ spot	1.6213	1.6145
1 mth	1.6176	1.6137
3 mth	1.6172	1.6134
1 yr	1.6098	1.6059

■ OTHER CURRENCIES

Nov 8	£	$
Hungary	174.113 - 174.361	107.610 - 107.710
Iran	2812.00 - 2815.00	1748.00 - 1750.00
Kuwait	0.4820 - 0.4534	0.2979 - 0.2986
Poland	37546.7 - 37612.3	23205.0 - 23235.0
Russia	4991.10 - 4996.00	3084.00 - 3087.00
U.A.E.	5.9362 - 5.9450	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Nov 8		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1898	-0.0418	815 - 981	17.2535	17.1735	17.1855	0.3	17.1736	0.4	-	-	115.5
Belgium	(BFr)	50.3177	+0.0067	826 - 528	50.3870	50.2280	50.2877	0.7	50.2177	0.8	50.0777	0.5	117.3
Denmark	(DKr)	9.5769	-0.0129	721 - 817	9.5988	9.5648	9.5745	0.3	9.5692	-0.5	9.5688	0.1	117.3
Finland	(FM)	7.5400	-0.0261	307 - 493	7.5740	7.5290	-	-	-	-	-	-	88.5
France	(FFr)	8.3930	+0.0063	877 - 983	8.4038	8.3743	8.3909	0.3	8.3832	0.5	8.3151	0.9	110.4
Germany	(DM)	2.4432	-0.0041	422 - 442	2.4494	2.4367	2.4415	0.8	2.4377	0.9	2.4062	1.5	126.8
Greece	(Dr)	376.683	-0.094	347 - 019	377.404	373.696	-	-	-	-	-	-	-
Ireland	(I£)	1.0144	+0.0002	136 - 152	1.0181	1.0122	1.0142	0.2	1.0139	0.2	1.0156	-0.1	105.5
Italy	(L)	2510.62	-0.1	818 - 205	2512.75	2504.73	2516.22	-2.7	2527.62	-2.7	2578.12	-2.7	74.4
Luxembourg	(LFr)	50.3177	+0.0067	826 - 528	50.3870	50.2280	50.2877	0.7	50.2177	0.8	50.0777	0.5	117.3
Netherlands	(Fl)	2.7393	-0.0036	378 - 408	2.7457	2.7349	2.7376	0.8	2.7335	0.8	2.699	1.5	121.2
Norway	(NKr)	10.6710	-0.0095	667 - 752	10.7032	10.6561	10.671	0.0	10.6727	-0.1	10.6718	0.0	88.4
Portugal	(Es)	249.315	+0.099	010 - 818	249.822	248.817	251.045	-8.3	254.225	-7.9	-	-	-
Spain	(Pta)	203.643	-0.174	528 - 758	204.006	203.339	203.973	-1.9	208.828	-10.2	207.253	-1.8	88.0
Sweden	(SKr)	11.7914	-0.0547	820 - 007	11.8687	11.7800	11.8104	-1.9	11.8529	-2.1	11.9974	-1.7	75.3
Switzerland	(SFr)	2.0407	-0.0079	395 - 418	2.0495	2.0368	2.0376	1.8	2.0301	2.1	1.9878	2.8	122.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.5
Ecu	-	1.2854	-0.0003	846 - 862	1.2873	1.2835	1.2854	0.0	1.2955	0.0	1.2799	0.4	-
SDR†	-	0.917855	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.8172	+0.0045	167 - 177	1.8189	1.8124	-	-	-	-	-	-	-
Brazil	*(R)*	*1.3441*	*-0.006*	*429 - 452*	*1.3501*	*1.3416*	-	-	-	-	-	-	-
Canada	(C$)	2.1980	+0.0102	950 - 989	2.1989	2.1898	2.1946	0.7	2.1936	0.4	2.1929	0.1	88.5
Mexico	(New Peso)	5.5414	+0.0143	376 - 452	5.5453	5.5277	-	-	-	-	-	-	-
USA	($)	1.8184	+0.0053	180 - 188	1.8193	1.6130	1.8176	0.8	1.8172	0.3	1.6092	0.8	51.2
Pacific/Middle East/Africa													
Australia	(A$)	2.1486	+0.0088	473 - 498	2.1514	2.1381	2.1507	-1.2	2.1535	-0.9	2.1874	-0.9	-
Hong Kong	(HK$)	12.5084	+0.0415	049 - 119	12.5194	12.4675	12.4984	0.9	12.4951	0.4	12.4439	0.5	-
India	(Rs)	50.8461	+0.1479	295 - 627	50.8920	50.6840	-	-	-	-	-	-	-
Japan	(Y)	156.993	+0.027	814 - 072	157.320	156.660	156.533	3.5	155.518	3.8	150.333	4.2	190.4
Malaysia	(M$)	4.1381	+0.0059	372 - 409	4.1432	4.1285	-	-	-	-	-	-	-
New Zealand	*(NZ$)*	*2.6051*	*+0.0044*	*034 - 068*	*2.6075*	*2.5941*	*2.6097*	*-2.1*	*2.619*	*-2.1*	*2.6389*	*-1.3*	-
Philippines	(Peso)	38.1134	-0.8418	812 - 656	38.4000	38.8608	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0702	+0.02	683 - 721	6.0758	6.0502	-	-	-	-	-	-	-
Singapore	(S$)	2.3710	+0.0052	696 - 724	2.3725	2.3647	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6575	+0.0001	548 - 601	5.6651	5.6496	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	8.5060	-0.0269	882 - 238	8.5432	8.4862	-	-	-	-	-	-	-
South Korea	(Won)	1290.92	+4.75	052 - 132	1292.11	1286.69	-	-	-	-	-	-	-
Taiwan	(T$)	42.1836	+0.1618	675 - 997	42.2196	42.0399	-	-	-	-	-	-	-
Thailand	(Bt)	40.3306	+0.1325	044 - 567	40.3670	40.2120	-	-	-	-	-	-	-

†SDR rates for Nov 7. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 8		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.6215	-0.081	190 - 240	10.6800	10.6190	10.6215	0.0	10.6213	0.0	10.5465	0.7	104.5
Belgium	(BFr)	31.0910	-0.099	770 - 050	31.1900	31.0780	31.0935	-0.1	31.051	0.5	30.951	0.5	105.2
Denmark	(DKr)	5.9175	-0.0278	160 - 190	5.9435	5.9138	5.9215	-0.8	5.93	-0.8	5.9665	-0.9	105.8
Finland	(FM)	4.6589	-0.0317	543 - 635	4.6914	4.6543	4.6596	-0.2	4.6564	0.2	4.6529	0.1	82.7
France	(FFr)	5.1860	-0.012	840 - 880	5.1995	5.1813	5.1872	-0.3	5.1849	0.1	5.1728	0.3	106.6
Germany	(D)	1.5097	-0.0075	094 - 099	1.5169	1.5085	1.5093	0.3	1.5072	0.6	1.4944	1.0	107.4
Greece	(Dr)	232.750	-0.83	600 - 900	233.800	230.800	233.02	-1.4	233.575	-1.4	235.825	-1.3	68.4
Ireland	(I£)	1.5954	+0.0049	845 - 963	1.5983	1.5899	1.5954	0.0	1.5954	0.0	1.5824	0.8	-
Italy	(L)	1561.30	-5.2	080 - 180	1555.40	1548.99	1555.55	-3.3	1563.3	-3.1	1602.8	-3.4	74.7
Luxembourg	(LFr)	31.0910	-0.099	770 - 050	31.1900	31.0700	31.0935	-0.1	31.051	0.5	30.951	0.5	106.2
Netherlands	(Fl)	1.6926	-0.0079	921 - 931	1.7004	1.6912	1.6926	0.0	1.6907	0.5	1.6791	0.8	105.8
Norway	(NKr)	6.5935	-0.0275	925 - 945	6.6268	6.5895	6.5962	-0.5	6.609	-0.9	6.641	-0.7	96.7
Portugal	(Es)	154.050	-0.45	900 - 200	154.500	153.900	154.675	-4.9	155.8	-4.5	160.3	-4.1	95.5
Spain	(Pta)	125.830	-0.525	790 - 870	126.320	125.780	126.16	-3.1	126.825	-3.2	129.44	-2.9	80.9
Sweden	(SKr)	7.2858	-0.0581	818 - 898	7.3480	7.2970	7.3005	-2.4	7.3298	-2.4	7.4692	-2.5	80.4
Switzerland	(SFr)	1.2609	-0.0091	605 - 613	1.2693	1.2600	1.2597	1.2	1.2556	1.7	1.2367	1.9	108.0
UK	(£)	1.6184	+0.0053	180 - 188	1.6193	1.6130	1.6176	0.5	1.6172	0.3	1.6092	0.6	89.0
Ecu	-	1.2591	+0.0044	586 - 595	1.2599	1.2557	1.2586	0.5	1.2584	0.2	1.2581	0.1	-
SDR†	-	1.48339	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9993	-0.0005	992 - 993	0.9995	0.9992	-	-	-	-	-	-	-
Brazil	(R)	0.8305	-0.0065	300 - 310	0.8350	0.8300	-	-	-	-	-	-	-
Canada	(C$)	1.3569	+0.0018	566 - 571	1.3587	1.3560	1.3566	0.2	1.3563	0.2	1.3619	-0.4	83.5
Mexico	(New Peso)	3.4240	-0.0025	225 - 255	3.4255	3.4225	3.425	-0.4	3.4268	-0.3	3.4342	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3276	+0.001	271 - 280	1.3289	1.3252	1.3279	-0.2	1.3288	-0.3	1.3359	-0.6	87.4
Hong Kong	(HK$)	7.7289	+0.0001	286 - 291	7.7291	7.7285	7.7269	0.3	7.7264	0.1	7.7344	-0.1	-
India	(Rs)	31.4175	-0.0125	150 - 200	31.4225	31.4150	31.5025	-3.2	31.8475	-2.9	-	-	-
Japan	(Y)	97.0050	-0.305	800 - 300	97.3600	96.9300	96.765	3.0	96.155	3.5	93.36	3.8	150.9
Malaysia	(M$)	2.5575	-0.0048	570 - 580	2.5630	2.5568	2.5483	4.3	2.537	3.2	2.6105	-2.1	-
New Zealand	*(NZ$)*	*1.6097*	*-0.0026*	*090 - 103*	*1.6119*	*1.6051*	*1.6107*	*-0.7*	*1.6125*	*-0.7*	*1.6178*	*-0.5*	-
Philippines	(Peso)	23.5500	-0.6	000 - 000	24.2000	23.4000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7508	-	505 - 510	3.7510	3.7505	3.7521	-0.4	3.7562	-0.6	3.7748	-0.6	-
Singapore	(S$)	1.4650	-0.0017	645 - 655	1.4673	1.4645	1.4627	1.9	1.4579	2.0	1.4405	1.7	-
S Africa (Com.)	(R)	3.4958	-0.0115	950 - 965	3.5070	3.4950	3.5104	-5.0	3.542	-5.3	3.7011	-5.9	-
S Africa (Fin.)	(R)	4.0200	-0.03	100 - 300	4.0500	4.0100	4.0425	-6.7	4.09	-7.0	4.325	-7.5	-
South Korea	(Won)	797.650	+0.3	600 - 700	798.000	797.400	800.65	-4.5	804.15	-3.3	822.55	-3.1	-
Taiwan	(T$)	26.0650	+0.0137	615 - 685	26.0885	26.0470	26.085	-0.8	26.125	-0.9	-	-	-
Thailand	(Bt)	24.9200	-0.0005	100 - 300	24.9300	24.9100	24.9925	-3.5	25.12	-3.2	25.8	-2.7	-

†SDR rate for Nov 7. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 7. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

November 8	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	5	5¼	5⅜	6¼	7.40	4.50	-
week ago	4⅞	5	5¼	5⅜	6⅜	7.40	4.50	-
France	5⅛	5¼	5⅝	5⅞	6⅜	5.00	-	6.75
week ago	5⅜	5¼	5⅝	5⅞	6⅜	5.00	-	6.75
Germany	4.88	4.95	5.15	5.25	5.50	6.00	4.50	4.85
week ago	4.93	4.95	5.15	5.25	5.60	6.00	4.50	4.85
Ireland	5¼	5¼	5⅝	6⅛	7⅛	-	-	6.25
week ago	5⅛	5¼	5⅝	5⅞	7⅛	-	-	6.25
Italy	8¼	8⅝	8¾	8⅞	10⅛	-	7.50	8.20
week ago	8¼	8⅝	8⅞	8⅞	10⅛	-	7.50	8.20
Netherlands	4.84	5.08	5.24	5.37	5.77	-	5.25	-
week ago	4.84	5.06	5.22	5.36	5.76	-	5.25	-
Switzerland	3⅝	3⅞	4	4½	4½	6.625	3.50	-
week ago	3⅞	3⅞	4⅛	4⅜	4⅝	6.625	3.50	-
US	4¾	5¼	5⅝	6⅛	6⅞	-	4.00	-
week ago	4⅞	5¼	5⅝	5⅞	6⅝	-	4.00	-
Japan	2⅛	2¼	2⅜	2⅛	2⅝	-	1.75	-
week ago	2⅛	2¼	2⅜	2⅛	2⅝	-	1.75	-
■ $ LIBOR FT London Interbank Fixing	-	5⅜	5⅞	6⅛	6⅝	-	-	-
week ago	-	5⅜	5⅝	5⅞	6½	-	-	-
US Dollar CDs	-	5.10	5.49	5.87	6.53	-	-	-
week ago	-	5.10	5.33	5.69	6.35	-	-	-
SDR Linked Ds	-	3¾	3⅞	3¾	4	-	-	-
week ago	-	3¾	3⅞	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5¾; 3 mths: 5⅞; 6 mths: 6⅛; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 8	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	4 15/16 - 4 13/16	5 - 4⅞	5¼ - 5⅛	5 9/16 - 5 7/16	6 3/16 - 6 1/16
Danish Krone	5½ - 5¼	6⅜ - 5¼	5 15/16 - 5 11/16	6½ - 6¼	6 13/16 - 6 11/16	7 7/8 - 7⅝
D-Mark	5 - 4⅞	4 15/16 - 4 13/16	4 15/16 - 4 13/16	5 3/16 - 5 1/16	5 5/16 - 5 3/16	5 11/16 - 5 9/16
Dutch Guilder	5 1/16 - 4 15/16	5 1/16 - 4 15/16	5 1/16 - 4 15/16	5¼ - 5⅛	5⅜ - 5¼	5¾ - 5⅝
French Franc	5⅞ - 5¼	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5⅝ - 5½	5 15/16 - 5 13/16	6⅜ - 6¼
Portuguese Esc.	8½ - 8¼	8 13/16 - 8½	9¼ - 9	10 - 9¾	10 5/16 - 10 1/16	10 13/16 - 10½
Spanish Peseta	7 9/16 - 7 7/16	7 9/16 - 7 7/16	7 9/16 - 7 7/16	7 15/16 - 7 13/16	8⅜ - 8¼	9⅛ - 8
Sterling	5 13/16 - 5⅝	5 15/16 - 5 13/16	5 31/32 - 5 29/32	6 5/16 - 6 3/16	6⅝ - 6½	7 7/16 - 7 5/16
Swiss Franc	3 15/16 - 3 13/16	3 15/16 - 3 13/16	3 15/16 - 3 13/16	4 - 3⅞	4⅛ - 4	4 9/16 - 4 7/16
Can. Dollar	4¾ - 4 9/16	4 15/16 - 4¾	5 5/16 - 5 1/16	5⅝ - 5½	6⅜ - 6⅛	7⅛ - 7
US Dollar	4 13/16 - 4 11/16	4 13/16 - 4 11/16	4⅞ - 4¾	5 15/16 - 5 13/16	6⅛ - 6	6¾ - 6⅝
Italian Lira	8 - 7½	8⅜ - 8¼	8⅜ - 8¼	8¾ - 8⅝	9 5/16 - 9 3/16	10 1/16 - 9 15/16
Yen	2 5/16 - 2¼	2 5/16 - 2¼	2 5/16 - 2¼	2⅜ - 2¼	2½ - 2⅜	2 13/16 - 2¾
Asian $Sing	2⅞ - 2¾	2¾ - 2⅝	3 - 2⅞	3⅜ - 3¼	3¾ - 3⅝	4⅛ - 4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.26	94.26	-	94.27	94.25	6,733	53,372
Mar	93.85	93.81	-0.04	93.85	93.80	14,096	34,184
Jun	93.41	93.39	-0.02	93.41	93.37	8,003	26,494
Sep	93.04	93.03	-	93.05	93.00	4,280	20,355

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		93.91	+0.02			0	2485
Mar		93.40	-			0	1386
Jun		92.92	+0.02			0	354
Sep		92.54	+0.01			0	81

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.81	94.81	-	94.82	94.78	18181	150265
Mar	94.54	94.54	+0.01	94.55	94.52	17058	160894
Jun	94.15	94.18	+0.03	94.19	94.13	13024	113285
Sep	93.76	93.79	+0.03	93.80	93.74	4975	78448

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	81.01	91.01	-	81.02	90.98	2544	34054
Mar	90.36	90.35	-0.02	90.37	90.34	2059	32464
Jun	89.77	89.78	+0.03	89.78	89.73	1147	16368
Sep	89.31	89.32	+0.03	89.33	89.28	1263	21137

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.92	95.93	+0.02	95.93	95.88	3806	20398
Mar	95.62	95.64	+0.02	95.65	95.60	1259	19026
Jun	95.25	95.24	+0.01	95.25	95.23	203	4903
Sep	94.90	94.90	+0.02	94.90	94.90	306	1933

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.90	93.94	+0.04	93.95	93.88	897	8014
Mar	93.44	93.48	+0.04	93.49	93.42	879	7269
Jun	92.92	92.98	+0.03	92.98	92.92	164	4073
Sep	92.42	92.48	+0.04	92.50	92.42	232	2410

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 8		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.00	16.68	4.856	2.018	4989	5.444	21.21	495.5	404.7	23.43	4.055	1.988	4.365	3.216	311.8	2.554
Denmark	(DKr)	52.54	10	8.765	2.551	1.059	2621	2.860	11.14	260.3	212.6	12.31	2.130	1.044	2.293	1.690	163.8	1.342
France	(FFr)	59.94	11.41	10	2.911	1.208	2991	3.263	12.71	297.0	242.6	14.05	2.431	1.191	2.618	1.928	186.9	1.531
Germany	(DM)	20.59	3.920	3.436	1	0.415	1027	1.121	4.368	102.0	83.34	4.826	0.835	0.409	0.899	0.662	64.22	0.526
Ireland	(I£)	49.62	9.444	8.277	2.409	1	2475	2.701	10.52	245.9	200.8	11.63	2.012	0.986	2.166	1.596	154.7	1.267
Italy	(L)	2.004	0.382	0.334	0.097	0.040	100.	0.109	0.425	9.932	8.112	0.470	0.081	0.040	0.087	0.064	6.251	0.051
Netherlands	(Fl)	18.37	3.496	3.064	0.892	0.370	916.4	1	3.896	91.02	74.33	4.304	0.745	0.365	0.802	0.591	57.28	0.469
Norway	(NKr)	47.15	8.975	7.866	2.290	0.950	2352	2.567	10	233.8	190.8	11.06	1.912	0.937	2.058	1.518	147.0	1.204
Portugal	(Es)	20.18	3.841	3.367	0.980	0.407	1007	1.099	4.280	100.	81.67	4.729	0.818	0.401	0.881	0.649	62.94	0.515
Spain	*(Pta)*	24.71	4.703	4.122	1.200	0.498	1233	1.345	5.241	122.4	100.	5.791	1.002	0.491	1.079	0.795	77.06	0.631
Sweden	(SKr)	42.67	8.122	7.118	2.072	0.860	2128	2.323	9.050	211.5	172.7	10	1.730	0.848	1.863	1.372	133.1	1.090
Switzerland	(SFr)	24.66	4.694	4.114	1.198	0.497	1230	1.343	5.230	122.2	99.80	5.779	1	0.490	1.076	0.793	76.91	0.630
UK	(£)	50.31	9.576	8.393	2.443	1.014	2510	2.739	10.67	249.3	203.6	11.79	2.040	1	2.196	1.618	156.8	1.285
Canada	(C$)	22.91	4.361	3.822	1.112	0.462	1143	1.247	4.859	113.5	92.71	5.369	0.929	0.455	1	0.737	71.45	0.585
US	($)	31.09	5.918	5.187	1.510	0.627	1551	1.693	6.595	154.1	125.8	7.287	1.261	0.618	1.357	1	96.97	0.794
Japan	(Y)	32.07	6.103	5.349	1.557	0.646	1600	1.746	6.801	158.9	129.8	7.514	1.300	0.637	1.400	1.031	100.	0.819
Ecu		39.15	7.452	6.532	1.901	0.789	1953	2.132	8.304	194.0	158.4	9.175	1.588	0.778	1.709	1.259	122.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6599	0.6618	+0.0025	0.6618	0.6597	30,440	86,322
Mar	0.6620	0.6633	+0.0026	0.6633	0.6620	493	6,018
Jun	-	0.6627	-	-	-	5	1,257

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0308	1.0337	+0.0027	1.0345	1.0304	17,107	62,895
Mar	1.0422	1.0420	+0.0023	1.0422	1.0415	1,243	8,302
Jun	-	1.0504	+0.0021	-	-	79	718

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7890	0.7937	+0.0047	0.7940	0.7886	11,613	40,237
Mar	0.7955	0.7967	+0.0034	0.7967	0.7955	87	2,201
Jun	-	0.8010	-	0.8010	-	13	190

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6126	1.6136	+0.0014	1.6152	1.6124	14,222	48,085
Mar	1.6110	1.5130	+0.0034	1.5148	1.5110	210	652
Jun	-	1.6120	-	1.6130	-	1	17

UK INTEREST RATES

LONDON MONEY RATES

Nov 8	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 5¼	5⅞ - 5¾	5⅞ - 5¾	6 3/16 - 6 1/16	6⅝ - 6½	7 7/16 - 7 5/16
Sterling CDs	-	-	5 13/16 - 5¾	6 1/16 - 6	6½ - 6⅜	7 5/16 - 7 3/16
Treasury Bills	-	-	5 11/16 - 5⅝	5 15/16 - 5 13/16	-	-
Bank Bills	-	-	5 15/16 - 5 13/16	6 - 5⅞	6 7/16 - 6 5/16	-
Local authority deps.	5 3/16 - 5 3/16	5⅞ - 5 7/16	5⅞ - 5¾	6 1/16 - 5 15/16	6 7/16 - 6 5/16	7¼ - 7⅛
Discount Market deps	6¼ - 5¼	5 13/16 - 5 11/16	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.4342pc. ECGD fixed rate Stg. Export Finance. Make up day Oct 31, 1994. Agreed rate for period Nov 26, 1994 to Dec 25, 1994, Schemes II & III 7.23pc. Reference rate for period Oct 1, 1994 to Oct 31, 1994, Schemes IV & V 5.988pc. Finance House Base Rate 6pc from Nov 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.57	93.55	-0.01	93.57	93.51	14073	146360
Mar	92.73	92.74	+0.01	92.75	92.68	17808	75506
Jun	92.15	92.15	+0.01	92.15	92.08	4878	58513
Sep	91.72	91.73	+0.01	81.73	91.68	2702	55577

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9350	0.15	0.05	0.06	0.11	0.81	1.41
9375	0.05	0.02	0.03	0.25	1.03	1.63
9400	0.01	0.01	0.02	0.46	1.27	1.87

Est. vol. total, Calls 11106 Puts 16425. Previous day's open int., Calls 352437 Puts 213845

EMS EUROPEAN CURRENCY UNIT RATES

Nov 8	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14546	-0.00093	-2.33	5.87	-
Belgium	40.2123	39.3918	-0.008	-2.04	5.55	15
Germany	1.94964	1.91400	-0.00062	-1.83	5.32	-
Ireland	0.808628	0.794863	+0.001375	-1.70	5.18	11
France	6.53883	6.57309	+0.00213	0.52	2.88	-4
Denmark	7.43679	7.50461	-0.00352	0.91	2.46	-8
Portugal	192.854	195.220	-0.248	1.23	2.14	-8
Spain	154.250	159.489	-0.02	3.40	0.00	-24
NON ERM MEMBERS						
Greece	264.513	294.968	-0.126	11.52	-7.28	-
Italy	1793.19	1965.15	-0.46	9.59	-5.85	-
UK	0.786749	0.783149	+0.001142	-0.46	3.87	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	Dec	Jan	PUTS Nov	Dec	Jan
1.550	6.41	6.52	6.82	-	0.13	0.46
1.575	3.92	4.36	4.86	-	0.46	0.98
1.600	1.59	2.56	3.21	0.06	1.14	1.80
1.625	0.18	1.33	2.00	1.11	2.34	2.97
1.650	-	0.58	1.15	3.33	4.03	4.58
1.675	-	0.20	0.60	5.82	6.14	6.51

Previous day's vol., Calls 15,451 Puts 2,304 . Prev. day's open int., Calls 430,171 Puts 425,156

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	93.88	93.90	+0.01	93.91	93.88	69,420	411,469
Mar	93.38	93.40	+0.01	93.41	93.38	72,669	409,907
Jun	92.89	92.91	+0.01	92.93	92.89	41,761	303,563

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.48	94.49	+0.01	94.50	94.48	1,589	17,552
Mar	93.96	93.97	+0.01	93.98	93.96	808	10,002
Jun	93.48	93.48	+0.01	93.48	93.48	248	5,916

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	Dec	Jan	Mar	PUTS Nov	Dec	Jan	Mar
9475	0.07	0.11	0.06	0.11	0.01	0.05	0.27	0.32
9500	0.01	0.02	0.02	0.05	0.20	0.21	0.48	0.51
9525	0	0.01	0.01	0.02	0.44	0.46	0.72	0.73

Est. vol. total, Calls 5620 Puts 4516. Previous day's open int., Calls 216398 Puts 195262

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9575	0.20	0.15	0.06	0.02	0.24	0.59
9600	0.04	0.05	0.04	0.11	0.41	0.80
9625	0.01	0.02	0.01	0.33	0.63	1.02

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2515 Puts 1896

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75	● Members of London Investment Banking Association	
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75	* In administration	
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	* Mount Banking	6		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

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WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 8 / Sch)

BELGIUM/LUXEMBOURG (Nov 8 / Frs.)

DENMARK (Nov 8 / Kr)

FINLAND (Nov 8 / Mks)

FRANCE (Nov 8 / Frs.)

GERMANY (Nov 8 / Dm.)

ITALY (Nov 8 / Lire)

NETHERLANDS (Nov 8 / Frs.)

NORWAY (Nov 8 / Kroner)

SPAIN (Nov 8 / Pts.)

SWEDEN (Nov 8 / Kronor)

SWITZERLAND (Nov 8 / Frs.)

PACIFIC

JAPAN (Nov 8 / Yen)

AUSTRALIA (Nov 8 / Aus$)

HONG KONG (Nov 8 / H.K.$)

MALAYSIA (Nov 8 / MYR)

SINGAPORE (Nov 8 / S$)

NORTH AMERICA

CANADA

TORONTO (Nov 8 / Can $)

4 pm close

MONTREAL (Nov 8 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Nov 8 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, November 8, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Elec	8.0m	899	-2	Kawasaki Steel	3.5m	438	-6
Nippon Steel	5.0m	388	-9	Mitsubishi Hvy	2.9m	770	-1
Sumitomo Mtl Ind	4.4m	350	-2	Hitachi	2.8m	969	-5
Nishimatsu Const	4.1m	1,010	+12	NEC	2.2m	1,170	-10
NKK	3.7m	286	-3	Nakabayashi	1.9m	853	-25

INDICES

	Nov 8	Nov 7	Nov 4	1994 High		1994 Low	
Italy							
Banca Comm Ital (1972)	620.15	623.81	628.30	817.17	10/5	588.85	10/1
MIB General (4/1/94)	1008.0	1009.0	1019.0	1318.00	10/5	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	19609.02	19819.22	19811.58	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	283.82	284.41	287.25	311.71	13/6	258.22	4/1
Topix (4/1/68)	1550.27	1555.41	1569.80	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2171.36	2193.44	2219.08	2542.65	6/7	1873.38	4/1
Malaysia							
KLSE Comp.(4/4/86)	1057.98	1070.14	1074.41	1314.46	5/1	928.33	4/4
Thailand							
Bangkok SET (30/4/75)	1495.61	1504.15	1522.94	1753.73	4/1	1196.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	25819.9	25745.7	25450.3	28883.80	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)$	630.2*	629.2	630.8	649.90	2/11	591.80	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1324.29	1322.66	1333.72	1540.19	31/1	1286.48	5/10
Euro Top-100 (26/6/90)	1173.58	1171.34	1182.83	1311.01	2/2	1136.48	5/10
JCapalDrgns (31/12/88)	(u)	336.14	338.39	365.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	182.12	181.03	178.32	191.79	28/9	141.55	21/4

** Sat Nov 5 : Taiwan Weighted Price 6372.21; Korea Comp Ex 1125.01. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♣ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Nov 0 - 2058.56 +13.06

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett.Price	Change	High	Low	Est. vol.	Open Int.
Nov	1912.0	1930.0	+17.0	1931.0	1905.0	22,119	23,088
Dec	1920.5	1938.5	+17.0	1938.0	1914.0	626	26,732
Mar	1948.5	1964.0	+18.5	1959.5	1948.5	401	6,615

Open interest figures for previous day.

US INDICES

Dow Jones	Nov 7	Nov 4	Nov 3	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3808.87	3807.52	3845.88	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	94.63	94.54	94.73	105.61 (21/01)	94.54 (7/11)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1492.06	1497.00	1516.61	1862.29 (2/2)	1438.50 (6/10)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	178.82	170.16	180.13	227.05 (3/1)	175.85 (20/9)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3830.40 (3879.52) Low 3781.82 (3802.61) (Theoretical♠)
Day's high 3819.30 (3865.39) Low 3798.10 (3807.52) (Actual♠)

Standard and Poors							
Composite ‡	483.07	462.28	467.91	482.00 (2/2)	438.52 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	550.15	549.45	555.96	583.10 (28/10)	510.05 (21/4)	583.10 (28/10/94)	3.62 (21/6/32)
Financial	42.91	42.84	43.34	46.84 (14/6)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	254.29	254.27	258.66	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.45 (25/4/42)
Amex Mkt Val	450.41	452.91	454.57	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	762.31	768.08	772.10	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Nov 4	Oct 20	Oct 21	Year ago
Dow Jones Ind. Div. Yield	2.70	2.70	2.72	2.80
	Nov 2	Oct 26	Oct 19	Year ago
S & P Ind. Div. yield	2.39	2.39	2.36	2.41
S & P Ind. P/E ratio	20.95	20.82	21.11	28.61

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Dec	464.50	465.25	+0.75	465.65	464.40	69,106	213,067
Mar	-	467.55	-	-	-	1,521	18,458
Jun	-	471.35	-	-	-	27	3,605

Open interest figures are for previous day

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Gen Motors	3,616,000	38⅝	-⅜
Telefonos	3,029,900	57⅛	+⅜
Chrysler	2,910,200	48⅝	-1
Compaq	2,851,200	39⅝	+1⅛
Southern	2,624,400	19⅛	+⅛
Motorola	2,588,400	56¼	-2⅛
Telecom Cp	2,315,500	53	-⅞
IBM	2,275,800	71⅛	+⅝
Ford Motor	2,091,500	29⅜	+⅛
Limited	1,843,400	20⅜	+¼

■ TRADING ACTIVITY

● Volume (million)

	Nov 7	Nov 4	Nov 3
New York SE	255.021	280.426	284.469
Amex	14.951	16.703	13.471
NASDAQ	223.542	255.598	276.891
NYSE			
Issues Traded	2,902	2,865	2,898
Rises	824	671	1,084
Falls	1,379	1,490	1,044
Unchanged	699	724	770
New Highs	18	20	31
New Lows	270	160	117

† Correction. * Calculated at 15.00 GMT. @ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅞	12⅛	AAR x	0.48	3.8	20	73	12¾	12⅜	12½	-⅛
16	12⅝	A L Labs A	0.16	1.1	37	184	16⅞	16⅛	16⅛	-⅜
79⅜	57⅝	AMP x	1.00	2.2	26	1726	74⅞	74¼	74¾	+⅛
72¾	48⅛	AMR			90	2562	51⅝	50⅞	51⅜	+⅛
5	3⅞	ARX			13	25	3⅞	3¾	3⅞	
56½	38⅝	ASA	2.00	4.2	31	1275	48⅛	47¾	48	+⅜
32	25⅞	AbbotL	0.76	2.4	18	9201	31½	31⅛	31⅛	+⅛
15¼	11⅛	Abitibi Pr	0.50	3.9	11	48	13	12⅞	12⅞	-¼
23⅝	17¾	ABM Ind	0.52	2.5		115	20½	20¼	20½	+¼
18	11⅛	Acptocoin			28	58	16¼	16	16⅛	
31	25	ACE Ltd	0.44	1.9	20	835	24	22¾	23¼	+⅞
12½	9¼	ACM Gvt In x	1.09	12.0		546	9⅛	d9⅛	9⅛	-¼
10⅛	6⅞	ACM GvOpp x	0.80	11.4		100	7	d6⅞	7	+⅛
10⅛	7	ACM Gvt Sp x	0.96	13.7		361	7⅛	d6⅞	7	-⅛
12	8⅛	ACM Gvt Se x	1.00	13.7		565	8¼	8	8	-¼
11¾	7⅜	ACM Mgn x	1.08	13.9		318	7⅞	7¼	7¾	-⅛
8¼	6	ACM Mansgd x	0.72	8.9		66	8⅛	8⅛	8⅛	
15½	6¼	AcmeClv x	0.44	3.6	15	178	13⅛	12	12⅞	-½
13⅝	6½	Acme Elect			11	50	11¼	11⅛	11⅛	
28¾	33	Acordia	0.60	2.2	14	7	27⅞	27⅝	27¾	-⅛
13¾	9¾	Actava	0.36	3.6	2	141	10⅛	10	10	
18⅝	11¼	Acuson			136	418	17⅞	17⅝	17¼	-⅛
18⅝	16½	Adams Expr	0.48	8.8	0	251	16⅞	16¾	16⅞	+⅛
64	46½	Ad Micro	3.00	0.4		265	55⅞	00½	55¾	+¼
31¾	16¾	AdvMic	3.00	11.7	11	2494	26	25⅝	25¾	+¼
6⅞	5	Advest Grp	0.18	3.1	6	69	5⅛	5⅛	5⅛	
20	15	Advo Inc	0.19	0.8	130	437	18¼	17¾	18	+¼
64	49⅞	Aegon ADR	1.47	2.4	13	166	62¼	62	62¼	+⅛

Continued on next page

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NYSE COMPOSITE PRICES

4 pm close November 8

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close November 8

AMEX COMPOSITE PRICES

4 pm close November 8

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AMERICA

US markets firmer ahead of poll result

Wall Street

US shares edged up late yesterday morning on program buying as the market awaited results from the mid-term elections, and producer price news expected tomorrow, *writes Lisa Bransten in New York.*

By 1 pm the Dow Jones Industrial Average was up 26.91 at 3,835.78. The Standard & Poor's 500 was ahead 2.72 at 465.78, while the American Stock Exchange composite was 0.37 higher at 450.78. The Nasdaq composite advanced 4.07 to 766.38. Trading volume on the NYSE came to 169m shares by 1 pm.

The market was also influenced by expectations of a rise in interest rates, expected after next Tuesday's meeting of the FOMC. A rise in rates could draw money ont of equity markets and into fixed income instruments. Merril Lynch yesterday advised investors to reduce their stock holdings in favour of bonds and cash.

Program buying caused moderately active volume, hut investors remained generally cantious as they awaited the government figures on producer prices, which are expected to show a 0.1 per cent rise for October. If the number is significantly larger it conld provoke fears of a large or early move to increase interest rates by the Fed.

Markets were uncertain as to the impact of the mid-term elections, hut some believed that a strong showing by Republicans could bolster markets today.

Smaller issues trading was boosted hy gains in software stocks. Broderhund Software advanced $1½ at $62¼. Boole & Babbage picked up $1½ at $24 and Fourth Shift climbed $¼ at $4⅛.

The morning also saw gains for the large, high-technology stocks. IBM, Apple Computer and Motorola, in further response to Monday's news of a joint venture by the three computer makers to design a new personal computer. IBM rose $1½ to $73¼, Apple picked up $1⅜ at $42½, and Motorola advanced $⅞ at $57⅞. Hewlett-Packard also rose $2 at $98½ on news that its printer business was very profitable, in spite of decreasing profitability seen elsewhere in that market.

Southwest Airlines declined $1⅛ at $22⅛. The airline reported higher traffic in October hut fourth quarter yield figures showed lower revenues per passenger mile than for the same period last year. American Airlines was unchanged at $51¼ on similar news.

AlliedSignal rose $½ at $34 after announcing a joint venture on Monday with General Motors to produce a part for a catalytic converter that decreases pollution.

Ann Taylor, the retailer, declined $2¼ or 5.8 per cent to $40⅞ after Monday's report that third quarter earnings were well below both last year's figures and analysts' expectations.

The Argentine telecommunications company, Telefonica de Argentina, was up $1⅛ at $61⅞ after New York hrokerage, Oppenheimer & Co initiated coverage with a huy recommendation.

The hroking house's analyst covering Latin American telecommunications companies said he based his recommendation on the fact that average hottom line growth at the Argentine group had heen higher than that of other Latin American and US telephone companies.

Canada

Toronto was mixed in choppy midday trade as the market entered a holding pattern ahead of the US mid-term election results. The TSE-300 index put on 8.35 at 4,196.32 in quiet volume of 21.7m shares.

Stronger precious metals, transportation and financial services vied with the falling forestry and real estate sectors for dominance. Of 14 group sub-indices, eight were softer at midday.

The gold and silver sector rose 1.6 per cent as Comex gold climbed; early huying by a large bank gave the market a solid tone.

Financial services rose 1.0 per cent. Canadian Imperial Bank of Commerce gained C$⅛ at C$31⅞ while Bank of Nova Scotia added C$⅛ at C$27, in spite of news that the Canadian Bond Rating Service had cut the rating on ScotiaBank subordinated deht.

Brazil falls back

Shares in São Paulo eased from the day's peaks to stand 0.6 per cent up in slow midday trade as many investors decided that it was time to take profits after a 7.3 per cent rally in the past two sessions.

The Bovespa index of the 55 most active shares was ahead 279 at 48,367 by 1 pm. Turnover was R$149.6m ($179.8m).

Traders reported slow foreign activity and forecast that technical factors would dominate the afternoon session. They said prices tested the 49,000-point resistance barrier earlier, but could not sustain those levels.

Among the most notable movers, Telebras preferred rose 0.9 per cent to R$41, Vale do Rio Doce preferred was quoted up 2.7 per cent at R$192, and Eletrobras preferred fell 0.3 per cent to R$323.

S African golds pressured

Gold shares ended dnwn but off their lows as concern abont the prospects for the bullion price overshadowed a jump in the metal towards the close.

Industrials were also lower amid uncertainty abont the future direction of world markets.

The overall index finished 35 softer at 5,805, industrials fell 25 to 6,742 and golds closed 46 or 2.1 per cent off at 2,181, after a day's low of 2,160.

Meanwhile, the axchange said that it supported planned legislative changes permitting dual-capacity trading, whicb allows members to trade both as principals and as agents, and which could be passed by March 1995.

EUROPE

Zurich ends weak despite UBS rumours

Rumours apart, hourses seemed to be waiting for America: for the US congressional mid-term elections yesterday, and for the FOMC decision on interest rates next week, *writes Our Markets Staff.*

ZURICH was enlivened by a flurry of activity in UBS amid rumours, stirred by an Italian newspaper report, that the bank had settled its differences with Mr Martin Ehner's BK Vision investment trust.

The SMI index, underpinned in early trade hy UBS, subsequently turned back to finish 14.0 lower at 2,543.9.

UBS bearers picked up SFr24 or 2.1 per cent to SFr1,183, off a high of SFr1,190, and the registered stock was SFr8 or 3.0 per cent ahead at SFr272, after a peak of SFr280, with the bank's refusal to comment on the rumour helping to fuel the speculation. BK Vision, which was said to have denied the rumour informally in the stock market, was marked SFr5 higher at SFr1,315.

BK Vision owns 18 per cent of UBS registered shares and opposes the hank's plan to introduce a single, hearer share and scrap the registered stock.

Analysts, who said that there had been rumours of a reconciliation for the last 10 days, dismissed speculation of a settlement of the dispute ahead of an extraordinary shareholders meeting on November 22. They said UBS looked set to win approval for its proposal at the meeting, although some thought this was likely to be the prelude to a protracted legal battle.

FRANKFURT recovered some of Monday's losses, hut the two hig department store groups, Karstadt and Kaufhof, stayed weak as the Dax index rose 9.92 to 2,053.44 on the session, and inched higher to 2,056.36 at the end of afternoon Ibis trading.

Karstadt fell DM18 to DM578 and Kaufhof DM101.10 to DM474.40, the most obvious manifestation of worries that German consumption is potentially weak, and that economic recovery is slowing.

Mr Werner Wanke, who gave up his partnership at B Metzler in Frankfurt and set up his own consulting company there at the beginning of this year, said that Europe was only about a year out of recession, and that the extremely sharp rise in interest rates this year, so early in recovery, was likely to have a negative effect on the economic cycle.

PARIS made a modest recovery, following a lead from the hond markets. The CAC-40 index gained 15.47 at 1,921.54 as turnover remained low at FFr3.2bn.

Alcatel Alsthom suffered a sharp fall, down FFr14.30 to FFr447.60, on reports of problems at its German unit. The group had losl FFr11.10 on Monday after it was reported that France Telecom might make a claim of up to FFr400m in connection with over-pricing of equipment provided by anorher division.

CarnaudMetalhox was unchanged at FFr168 after reporting a rise in nine-month sales. Hoare Govett, maintaining its huy recommendation on the stock, commented that the group had henefited recently from a recovery in its foreign markets, productivity gains and improved market share.

The group, it added, had re-embarked on an acquisitions strategy in areas of strong growth potential – such as Malaysia, Vietnam, and China – and should see sales in emerging markets account for 16 per cent hy 1998, compared with just 6 per cent in 1993.

MILAN edged lower amid heavy trading in Credito Italiano and as attention turned to insurers as they hegan to count the cost of the floods in northwest Italy. The Comit index dipped 3.66 to 620.15.

Credito Italiano picked np L44 to L1,596 in hefty volume of 44.8m shares, amid arbitrage trading between the ordinary shares and the rights, trading for the final day on the bourse.

Bid speculation in other banks eased. Amhroveneto fell L147 to L4,411 on the conclusion that the BCI hid would fail. BCI firmed L6 to L3,508.

Generali fell L375 to L37,450 and Toro was L259 lower at L22,650 as the insurance industry association said that the sector would suffer substantial, hut not disastrous, losses from the recent floods.

AMSTERDAM finished a lacklustre session harely changed, the AEX index slipping 0.57 to 407.69.

KPN, the telecommunications company which was privatised in the summer, shed 10 cents to Fl 54.60 as James Capel issued a hullish report. The hroker commented that with estimated eps growth of 17 per cent for 1995 and 1996, an estimated p/e ratio of 12 for 1994, representing a 4 per cent discount to the Dutch market, appeared to be unjustified.

Hunter Douglas, the manufacturer of window coverings, went in the direction of the market, off 20 cents at Fl 78.20, after reporting a rise in nine-month sales and forecasting higher full-year profits.

STOCKHOLM mounted what may be a fragile recovery, the Affärsvärlden General index rising 18.60 or 1.3 per cent to 1,445.80 on unconfirmed rumours of an opinion poll showing "yes" voters in the lead ahead of Sunday's EU membership referendum.

COPENHAGEN concentrated on Den Danske Bank, the commercial bank, following Monday's news that it was to acquire a controlling interest in Baltica, the country's largest insurer. The KFX-20 index dipped 0.70 to 91.57 in low turnover of DKr329m.

Den Danske Bank was unchanged at OKr312, after a high of DKr318, while Baltica added DKr160 at DKr1,460. Novo Nordisk, which reports nine-month results today, lost DKr6 at DKr538.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Nov 8							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1323.36	1323.13	1321.95	1323.16	1324.20	1326.19	1324.65	1324.29
FT-SE Eurotrack 200	1384.40	1384.25	1383.36	1384.38	1384.83	1385.86	1385.41	1384.92

	Nov 7	Nov 4	Nov 3	Nov 2	Nov 1
FT-SE Eurotrack 100	1322.68	1333.72	1325.53	1316.01	1331.23
FT-SE Eurotrack 200	1385.93	1398.55	1393.66	1382.67	1392.30

Base 1000 (26/10/90) High/day 100 - 1326.43 200 - 1387.26 Low/day 100 - 1321.44 200 - 1382.34 † Partial

Second high for Sonae

Snnae Investimantns, Portugal's largest conglomerate, hit its second consecutive 1994 high yesterday on forecasts nf strnng earnings growth and increased liquidity, *writes Peter Wise in Lisbon.*

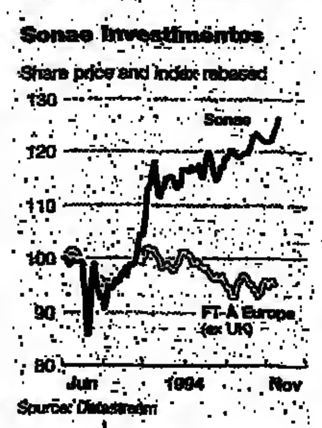
The shares were Es56 higher at Es3,734 by the close. Dealers said foreign investors led the surge, and projected a rise to above Es4,000 by the end of the year. Yesterday's high represented a 55 per cent jump since June 20, when the shares began to climb on anticipation of robust half-year results. Sonae forecasts that net consolidated earnings for 1994 will double to Es10bn.

Earnings for Sonaa's core business of hypermarket and snpermarket chains are expanding rapidly and a turnround is under way at the gronp's smaller industrial division, Sonae Industria, based on wood processing.

A recent study by Banco Português de Investimento and Schroder Securities also highlighted strong earnings potantial for the group's unlisted divisions: Sonae Imobiliaria, a shopping mall real estate company, and Pargeste, which groups together nnncore interests.

Mr Belmiro de Azevedo, Sonae chairman and chief sharehnlder, said last week that these two subsidiaries would be floated on the Lisbon stock exchange in 1995. The free float of Sonae Industria is also expected to be increased from about 32.2 per cent to 40 per cent later this month.

Sonae Investimentos



Source: Datastream

ASIA PACIFIC

US elections subdue Pacific Basin equities

Tokyo

Volume stayed low ahead of the US mid-term elections, and share prices declined marginally, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average lost 10.20 at 19,609.02 after moving in a narrow range hetween 19,637.93 and 19,543.71. Activity was dominated by cross-trading, companies and banks seeking to realise profits on their shareholdings. Traders said many investors expected a further fall in share prices and had tried to unload their holdings in advance.

Volume amounted to 210m shares, against 182m. Analysts said daily average trading value and volatility, although improving, remained subdued. On the first section, the ratio of daily turnover to market capitalisation was at a 40-year low, said Mr Alan Livsey, a strategist at Kleinwort Benson. "It is much worse than the bear markets in the 1960s and in 1973-74," he added.

Mr Livsey went on to say that corporate and institutional investors were still in the process of liquidating their investments and that overseas investors, who had bought shares earlier this year, had reduced their activity; so market turnover and volatility, he reckoned, were unlikely to pick up soon.

The lack of investor participation was highlighted by the margin balance released by the Tokyo stock exchange yesterday. The outstanding huying balance fell for the 15th consecutive week, by Y5.9bn to Y2,030bn, while the balance of stocks sold short increased by Y17.7bn to Y437.3bn.

The Topix index of all first section stocks dipped 5.14 to 1,550.27 and the Nikkei 300 eased 0.49 to 283.92. Losers led gainers hy 728 to 227, with 214 issues unchanged. The ISE-Nikkei 50 index edged up 0.71 to 1,272.86.

Profit-taking hit pachinko, or Japanese pinhall, ralated shares. Nakabayashi, an office equipment maker, fell Y25 to Y953 and Sailor Pen dropped Y47 to Y889.

Steels and electronics companies met profit-taking. Mitsuhishi Electric, the most active issue of the day, slipped Y2 to Y699 and Nippon Steel Y9 to Y388. Hitachi declined Y5 to Y969 and NEC Y10 to Y1,170.

Japan Tobacco, the partially privatised tobacco and salt monopoly, shed Y40,000 to Y1.01m, down 30 per cent from its initial offering price of Y1.438m. Nippon Telegraph and Telephone receded Y5,000 to Y892,000 and East Japan Railway was off Y3,000 at Y478,000.

In Osaka, the OSE average ended 125.83 lower at 21,684.17 in volume of 41.5m shares.

Roundup

Activity around the Pacific Rim was generally muted.

HONG KONG eased in extremely thin trade, preoccupled by expectations of an increase in US interest rates next week. The Hang Seng index finished 18.22 down at 9,416.09 in turnover estimated at HK$1.80hn, against Monday's revised HK$2.30bn.

Looking to the year ahead, Baring Securities expected interest rates to rise further over the next two quarters at least, with no reversal in the trend before late 1995.

SEOUL registered another record close in active trade, after a late buying spurt of primary hlue chips outweighed earlier selective selling. The composite index closed 5.76 firmer at 1,138.75.

Trading companies were in demand on hopes that they would benefit most from the government's plan to lift its ban on investment in North Korea. Samsung and Hyundai rose hy their daily upper limits of Won1,300 and Won1,000, to Won36,400 and Won25,700.

SINGAPORE was lower in cautious trade, the Straits Times Industrial index losing 4.65 at 2,327.01. The multimedia company Aztech Systems rose 6 cents to S$1.45 in heavy volume of 10.8m shares on news that it had hought into the US-hased Reveal Computer Products and had entered a joint venture in Indonesia.

KUALA LUMPUR picked up from the day's lows after a session which saw speculators selling stocks in the ahsence of fresh huying incentives, and the reallocation of share portfolios hy institutions.

The composite index finished 12.18 down at 1,057.96 in turnover of 156m shares.

MANILA saw heavy selling on the rise in the peso against the dollar. The composite index lost 41.43 at 3,006.51.

The peso's rise and PLDT's $3 decline in New York overnight drove the telephone stock's local price 5 per cent lower to 1,315 pesos. PNB fell 3.7 per cent to 327.50 pesos.

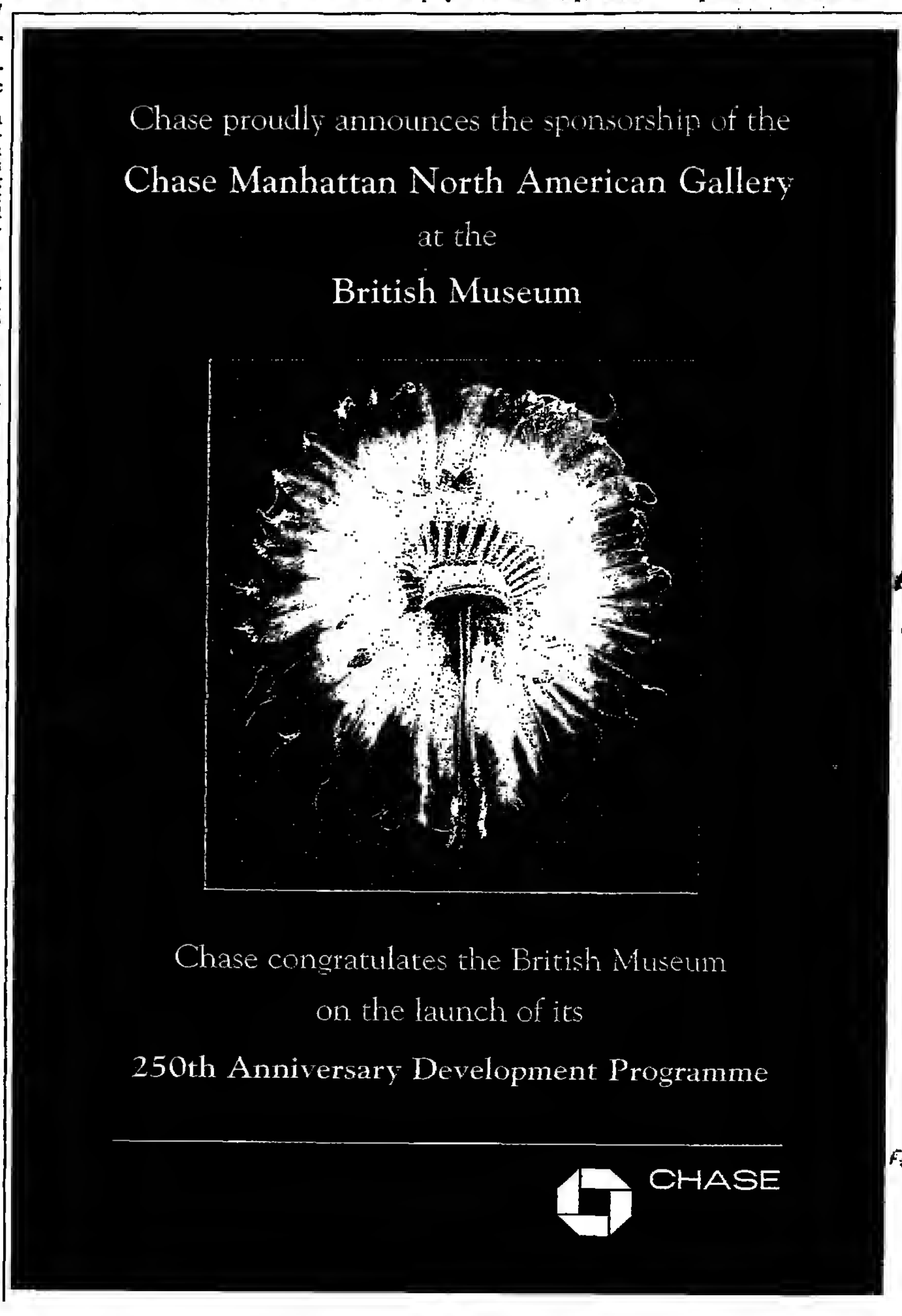
WELLINGTON was undermined hy weakness in Telecom and Fletchec Challenge, down hy 6 and 5 cents respectively to NZ$5.32 and NZ$4.39. The NZSE-40 Capital Index retreated 22.02 to 2,085.64.

FCL suffered some profit-taking in spite of reporting at its annual meeting that its current year earnings, before tax and ahnormal items, should substantially exceed those seen in 1993-94.

BZW in London recently published a bullish assessment of the New Zealand equity market, commenting that it offered "one of the more exciting prospects longer term", and suggested that a more optimistic ontlook for US bonds, which have a marked effect on the market's performance, could signal an upgrade from the current neutral stance.

SYDNEY weakened in thin turnover after the start of trading was delayed hy more than an hour due to technical problems with the stock exchange's automated trading system.

The All Ordinaries index dipped 12.0 to 1,967.3, its lowest since July 11. Westpac slipped 7 cents to A$4.29 after reporting 12-month earnings at the lower end of expectations.



FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY NOVEMBER 7 1994								FRIDAY NOVEMBER 4 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	170.29	-0.4	156.51	104.75	134.32	150.23	-1.1	3.71	170.96	157.60	105.89	136.41	151.94	189.15	149.36	158.71
Austria (16)	183.64	-0.2	168.78	112.96	144.85	144.86	-0.6	1.11	183.96	169.58	113.72	145.70	145.71	196.89	157.46	172.77
Belgium (35)	169.07	0.2	155.39	104.00	133.36	130.05	-0.3	4.25	168.76	155.59	104.34	133.68	130.46	177.04	150.60	151.68
Brazil (28)	181.18	3.4	166.49	111.43	142.89	278.10	2.6	0.74	175.18	161.47	108.28	138.73	272.12	-	-	-
Canada (103)	132.51	0.0	121.79	81.51	104.52	130.03	-0.1	2.62	132.47	122.12	81.89	104.92	130.15	145.31	120.54	134.19
Denmark (33)	246.41	-0.5	226.48	151.57	194.36	199.24	-1.0	1.49	247.61	228.27	153.08	196.12	201.16	275.79	230.27	238.74
Finland (24)	190.92	-1.8	175.47	117.44	150.60	187.95	-1.8	0.75	194.37	176.16	120.16	153.95	191.31	201.41	116.85	124.43
France (101)	170.07	-0.5	166.31	104.61	134.15	138.67	-1.1	3.13	170.92	157.57	105.66	135.38	140.15	185.37	158.34	161.43
Germany (58)	142.66	-0.6	131.12	87.75	112.53	112.58	-1.0	1.84	143.56	132.35	88.78	113.71	113.71	150.40	128.37	130.14
Hong Kong (55)	382.87	-1.0	351.89	235.51	302.01	379.91	-1.0	3.16	386.57	356.37	238.98	306.19	383.66	506.56	341.29	360.76
Ireland (14)	207.77	0.1	190.96	127.80	163.89	184.08	-0.2	3.44	207.54	181.33	128.31	164.39	184.38	218.60	172.05	175.17
Italy (59)	76.93	-0.9	70.70	47.32	60.68	89.42	-1.3	1.76	77.61	71.55	47.98	61.47	90.61	87.76	57.88	84.56
Japan (468)	160.19	-0.5	147.23	98.54	126.36	98.54	-0.9	0.78	160.92	148.35	99.48	127.46	99.48	170.10	124.54	147.36
Malaysia (97)	517.89	-1.7	476.07	318.63	408.59	511.17	-1.7	1.84	526.76	485.61	325.65	417.23	520.07	621.93	430.71	470.98
Mexico (18)	2131.32	0.5	1958.79	1310.99	1681.12	7984.69	0.5	1.28	2120.03	1954.39	1310.61	1679.16	7947.04	2647.08	1696.28	1837.01
Netherland (19)	217.82	-0.2	200.19	133.98	171.81	169.05	-0.8	3.42	218.37	201.31	135.00	172.96	170.44	223.30	187.01	194.33
New Zealand (14)	77.20	0.1	70.95	47.49	60.90	66.08	-0.3	3.68	77.15	71.12	47.69	61.10	66.28	77.58	59.22	67.77
Norway (23)	197.84	-0.9	181.82	121.69	156.05	177.80	-1.3	1.86	199.69	184.08	123.45	158.18	180.18	211.74	165.52	177.96
Singapore (44)	393.73	-0.8	361.87	242.19	310.57	266.12	-0.6	1.59	396.20	365.25	244.93	313.61	268.57	401.38	294.56	307.74
South Africa (59)	339.35	0.3	311.88	208.74	267.67	300.40	-0.3	2.13	338.34	311.90	209.16	267.98	301.35	342.00	202.72	212.87
Spain (38)	140.44	-0.4	129.07	86.39	110.78	134.44	-0.9	4.34	141.00	129.98	87.17	111.68	135.72	155.79	128.68	137.63
Sweden (36)	228.30	-0.6	209.82	140.43	180.08	248.20	-1.0	1.61	229.71	211.77	142.01	181.95	250.64	242.68	175.83	198.89
Switzerland (47)	164.98	0.5	151.63	101.48	130.13	129.90	0.1	1.87	164.23	151.40	101.53	130.08	129.81	175.56	143.84	143.64
Thailand (46)	176.91	-1.6	162.59	108.82	139.54	171.11	-1.6	1.91	180.17	166.09	111.38	142.70	174.50	-	-	-
United Kingdom (204)	201.07	-0.6	184.76	123.68	158.60	184.79	-0.9	4.13	202.37	186.56	125.11	160.29	166.56	214.68	161.11	186.20
USA (515)	189.27	0.1	173.94	116.42	149.29	189.27	0.1	2.89	189.03	174.26	116.86	149.72	189.03	196.04	178.95	187.04
Americas (684)	177.23	0.2	162.88	109.01	139.79	147.25	0.2	2.81	176.92	163.09	109.37	140.13	147.01	-	-	-
Europe (707)	172.29	-0.5	158.34	105.98	135.90	148.41	-0.9	3.13	173.12	159.59	107.02	137.12	150.74	178.58	154.76	157.05
Nordic (116)	221.93	-0.8	203.96	136.51	175.05	205.12	-1.1	1.44	223.77	206.28	138.33	177.23	207.48	233.81	173.19	189.41
Pacific Basin (793)	169.36	-0.5	155.64	104.17	133.56	109.11	-1.0	1.11	170.25	156.95	105.26	134.85	110.20	176.86	134.79	155.57
Euro-Pacific (1500)	170.47	-0.6	156.67	104.86	134.46	125.21	-0.9	1.97	171.34	157.95	105.92	135.71	126.40	175.14	143.88	156.07
North America (618)	185.74	0.1	170.71	114.25	146.51	185.16	0.1	2.86	185.52	171.03	114.69	146.94	184.98	192.73	175.67	183.76
Europe Ex. UK (503)	153.25	-0.4	140.84	94.26	120.88	128.69	-0.8	2.52	153.83	141.81	95.10	121.84	129.79	158.12	135.94	138.31
Pacific Ex. Japan (325)	258.54	-0.9	237.62	159.03	203.93	228.42	-1.2	2.80	260.92	240.54	161.31	206.67	231.12	296.21	232.54	234.91
World Ex. US (1708)	172.38	-0.4	158.43	106.04	135.97	128.99	-0.9	1.97	173.13	159.61	107.03	137.13	130.11	176.85	145.58	157.03
World Ex. UK (2019)	174.62	-0.2	160.49	107.41	137.74	143.79	-0.5	2.08	174.97	161.30	108.17	138.58	144.47	178.59	155.98	164.10
World Ex. Japan (1755)	187.89	-0.1	172.68	115.57	148.20	176.38	-0.3	2.91	188.16	173.47	116.33	149.04	176.99	195.20	176.34	177.77
The World Index (2223)	176.89	-0.2	162.63	108.85	139.58	147.52	-0.5	2.29	177.38	163.52	109.58	140.48	148.29	180.80	158.85	166.05

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